

April 23 1993

surprise

Weekend FT

Inside Section II

Russia: the rebels  
who were silenced  
by the syringe

Page I

Floating  
in a desert  
Xanadu

Page XI

1992 Claret: a  
vintage salvaged by  
modern technology

Page IX

Clinton's 100 days

Early setbacks, but  
don't count him out

Jurek Martin, Page 6

# FINANCIAL TIMES

Europe's Business Newspaper

## Timex offers to settle strike at Dundee plant

**Timex**, the American multinational company, has offered to settle the increasingly bitter strike at its plant in Dundee, Scotland. If the workers and their union – the AEEU – are willing to negotiate a Japanese-style agreement with an end to demarcation lines, and the introduction of total quality management, multi-skilling and team working. Page 4

**Pearson to buy Thames Television**: Pearson, the publishing, banking and industrial group, has agreed to buy Thames Television, the UK's largest independent producer, for £39m. Page 22

**BA and Virgin restart talks**: British Airways and Virgin Atlantic Airways have restarted talks aimed at settling the "dirty tricks" dispute. Lawyers from the two companies met last week at BA's instigation, Virgin said.

Page 22

**Banks try to add peseta**: Six central banks intervened on the foreign exchange markets buying the Spanish peseta, after it plunged against the D-Mark inside the European exchange rate mechanism. Page 2; Peseta plunges, Page 11

**London equities suffer heavy losses**

A concerted attack on European bond and equity markets after the late slide on Wall Street on Thursday, triggered a sharp sell-off in leading UK shares. The FTSE 100 index ended a hectic session 37.3 down at 2,843.8, wiping out most of the strong gains recorded earlier in the week. London stocks, Page 13; Lex, Page 22

**Bosnia**: President Bill Clinton said the US should not intervene in Bosnia without the support of its allies, despite the mounting pressure on the administration to take some kind of military action against the Bosnian Serbs. Page 2; President's work in progress, Page 6

**US concern as orders slow**: The US Commerce Department reported a 3.7 per cent decline in new orders for durable goods between February and March, fueling anxiety on Wall Street. Page 3

**Diplomats missing in Afghanistan**: A Briton from the deputy high commission in Karachi is one of three European diplomats who have disappeared after a joint official visit to the city of Quetta, Baluchistan, said the Foreign Office said.

**Asda to close factory**: Asda, the UK's fourth-biggest food retailer, will close its Loftus food factory in Wakefield, west Yorkshire, at the end of July, with the loss of 1,800 jobs. Page 4; Lex, Page 22

**Blast 'probably terrorist attack'**: Police said a blast which damaged an oil tank at an Esso oil terminal at North Shields, Tyne and Wear, north east England, was probably a terrorist attack and possibly the work of the IRA.

**Bank of Japan attacks Clinton**: The Bank of Japan joined the rising chorus of Japanese criticism of President Clinton's remarks a week ago which have fuelled the rapid appreciation of the yen over the past few days. President Clinton suggested a stronger yen was one of several factors working to reduce Japan's trade surplus.

Page 3

**Japanese banks**: Leading banks announced large appraisal losses on their securities portfolios as the effects of the weakness of the stock market continued to echo through the financial system. The losses include \$39.7bn (£35bn) at Mitsubishi Bank and Y45.6bn at Sanwa Bank.

Page 10

**Palestinian shot dead**: Israeli soldiers shot and killed a Palestinian man and wounded at least 55 other Palestinians in clashes in the occupied Gaza Strip, Palestinians said.

**TB 'global emergency'**: The World Health Organisation has declared tuberculosis a "global emergency". Unless immediate action is taken to curb its spread, the resurgent TB bacillus will kill 30m to 40m people over the next decade, it said. Page 3

**STOCK MARKET INDICES**

FTSE 100: 2043.8 (-37.3)

Yield: 4.01

FT-SE Eurotrack 100: 1153.0 (-7.25)

FT-A All-Shares: 1300.04 (-1.9%)

Nikkei: 15,704.15 (+12.54)

New York Stock Exchange: 2,405.00 (-2.45)

Dow Jones Ind Avg: 3419.17 (-10.00)

S&P Composite: 4521.00 (-1.25)

**US LUNCHTIME RATES**

Federal Funds: 2.75%

3-mo T-bills: 2.675%

Long Bond: 10.42%

Yield: 5.64%

**LONDON MONEY**

3-mo Interbank: 5.1% (same)

Libor long gilt future: Jun 10.1% (Jun 10.5%)

**NORTH SEA OIL (Argus)**

Brent 15-day (Jun): \$18.85 (18.75)

**Gold**

New York Comex (Apr): \$368.55 (342.5)

London: \$344.15 (340.15)

Tokyo close Y 1104 (54)

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Austria Schuf; Bahrain Dm1.25; Bermuda \$1.65; Bulgaria BF90; Chile Pct; Costa Rica Cr10; Czechoslovakia Cr10; Cyprus Cr10; Czech Rep Kr10; Denmark Dkr10; Egypt E£1.50; Finland Pmk10; France FF10; Germany DM1.32; Greece Dr10; Hong Kong HK\$16; Hungary Ft172; Iceland Ft100; India Rupee Rs10; Indonesia Rp100; Israel Ls100; Japan Yen100; Kuwait Ft100; Luxembourg Lfr10; Malaysia Ringgit 10; Malta Lira 10; Morocco Cr10; Nigeria N10; Norway Kr10; Pakistan Ps10; Philippines Ppt10; Poland Zl 22.000; Portugal Esc10; Qatar Cr12.00; S.Africa Rand 100; Singapore \$S14.10; South Africa R10; Spain Pt200; Sri Lanka Rupee 10; Sweden Kr15.00; Switzerland Fr100; Taiwan NT\$100; Thailand Baht 50; Turkey Lir100; UAE Dir11.00; USA \$1.25 (Alaska & Hawaii \$1.75)

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Page I

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Page XI

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modern technology

Page IX

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Jurek Martin, Page 6

## Appeal court ruling allows school tests boycott

By John Authers and Philip Stephens

**CLASSROOMS** in England and Wales face a summer of disruption after Britain's second largest teachers' union yesterday successfully defended its right to boycott the controversial national curriculum tests in the courts.

Mr John Patten, the embattled education secretary, now faces the choice of an embarrassing climbdown, a rush to change the law or widely disrupted tests.

The Appeal court ruled against Wandsworth Borough Council, which brought the action to prevent the National Association of Schoolmasters Union of Women Teachers, from boycotting the controversial national curriculum tests.

Wandsworth will not attempt to appeal to the House of Lords.

The NASUWT is already boycotting the tests, which are due to take place in June. The two other biggest teaching associations, the National Union of Teachers and the Association of

Teachers and Lecturers, who are also balloting their members are expected to join the boycott.

However, senior Whitehall officials yesterday appeared to play down suggestions that the government would introduce emergency legislation to outlaw the tests.

Earlier this week a leaked letter to Mr Patten from Mrs Gillian Shepherd, the employment secretary, suggested the government was preparing to amend the employment bill to outlaw indus-

trial action which would flout the will of parliament.

Dowling Street refused to rule out such a move. But officials stressed the idea was not at present under "active consideration", reinforcing a general view at Westminster that the government would have to ride out the present storm in the hope that the teachers would eventually lose the sympathy of parents.

The Appeal court ruled unanimously that the NASUWT's action was lawful because it

mainly related to the heavy workload which teachers would be faced with to implement the tests, and was not politically motivated by opposition to the national curriculum itself.

Mr Nigel de Gruchy, NASUWT general secretary, proclaimed the result as a "scorching victory". He predicted that an attempt to change the law would meet with "open rebellion" from teachers.

Mr Edward Lister, Wandsworth council leader, said: "All those concerned with education should

now move forward to greater agreement. Everyone acknowledges that improvements to the curriculum and the tests can be made."

Mr Patten responded in a speech to the annual conference of the Secondary Heads' Association, by pointing out that governors and head teachers still have a statutory obligation to implement the tests.

Test plan fails to make the grade, Page 7

## Retail sales rise points to end of recession

Fresh figures back Major's move to reassert authority

By Philip Stephens, Alison Smith and Emma Tucker

THE THIRD successive monthly rise in High Street spending all but confirmed the end of Britain's longest post-war recession yesterday and gave new impetus to Mr John Major's drive to reassert the government's authority in Whitehall that the

of you." Addressing businessmen in Manchester, Mr Major said Britain was now set for two years of "solid growth". The government, he said, was determined to help industry to achieve the "competitiveness" needed to expand Britain's industrial base.

Anxiety in Whitehall that the

volume of retail sales rose by a seasonally adjusted 0.5 per cent between February and March and were running 4.1 per cent above the levels of the same period last year.

The figures, which follow news earlier in the week of another surprise fall in unemployment and a sharp rise in new-car sales, coincided with separate statistics pointing to a further revival in the housing market and in exports.

Official figures on Monday are expected to mark the end of the recession by reporting a clear increase in first-quarter gross domestic product.

In the second of a series of speeches designed to put the crisis of the past year behind him, the prime minister said the government would support "heart and soul" the efforts of industry and exporters to sustain the recovery.

Underlining his break with his predecessor's hands-off policy towards manufacturing during the 1980s, Mr Major said: "The government has a duty to work with industry to help industry meet the challenge... Every-

thing we do must be supportive

of you." Addressing business-

men in Manchester, Mr Major said Britain was now set for two years of "solid growth". The government, he said, was determined to help industry to achieve the "competitiveness" needed to expand Britain's industrial base.

Anxiety in Whitehall that the

idea of appointing an EBRD chief executive has not yet been put forward by Mr Theo Walig, the German finance minister.

The suggestion would be designed to improve the organisational structure of the bank following criticisms of insufficient budgetary control.

None of the other countries

which own the bank were represented on the building committee, chaired by the bank's budget director, Mr Pierre Pisaloux.

The UK was on the committee because of the £40m grant.

"After the EBRD's director approved the budget [at the end of 1991], there was nothing we could do [about how the money was spent]," said the official. "It was a nightmare".

An official said the UK's role in the building project would

Britain oversaw EBRD's £55m building

By Robert Peston and David Marsh in London and Jimmy Burns in Paris

THE UK was the only government represented on the building committee which oversaw the spending of £55m on fitting the new headquarters of the European Bank for Reconstruction and Development.

However, Mr Nicholas Bailey, the official at the Overseas Development Administration on the committee, was powerless to prevent spending on new marble, wood paneling and other "luxuries" because the government had provided a £40m building grant to the EBRD with no conditions attached, according to a UK official.

It also emerged yesterday that officials from the EBRD's shareholder governments, led by the Germans, are exploring the possibility of creating a new post of chief executive at the bank to back up Mr Jacques Attali, the bank's president.

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An official said the UK's role in the building project would

be to oversee growth prospects right across Europe, including the UK. So it can take full advantage of

Editorial comment, Page 6

Civil servant powerless, Page 3

Man in the news, Page 6

Continued on Page 22

&lt;p

Commission president sees threat to Emu plans if other states leave ERM

## British recovery worries Delors

By Lionel Barber in Brussels

MR JACQUES DELORS, president of the European Commission, is becoming worried that the UK recovery based on a floating exchange rate could undermine the EC's plans for economic and monetary union, senior EC officials said yesterday.

Mr Delors has expressed private fears that other EC member states may be tempted to follow the British example of pursuing economic growth outside the constraints of the European exchange rate mechanism, the Brussels officials said.

In a speech at the Hanover trade fair last Tuesday, Mr Delors warned that

the credibility of the EC's monetary plans was "under attack". Admitting that the Maastricht treaty's plans for Emu remained in doubt, he declared: "If Europe were hit by further competitive devaluations the Single Market would not survive."

The European Commission was still fell for the second month running in March. The gathering UK recovery is all the more galling to Brussels, which blames recent currency instability inside the ERM partly on the delay in ratification of Maastricht in Denmark and the UK.

Mr John Major's pro-European speech in London on Thursday night has mollified some of the critics, but one Commission official expressed reservations yesterday about the note of triumphalism in his claim that Britain was winning all the arguments in Europe from promotion of the Single Market to common agricultural policy reform and enlargement.

This week, Mr Norman Lamont, Britain's chancellor of the exchequer, predicted that the UK would grow faster than its main European competitors this year and next.

EC officials believe that in the medium term, the UK will pay a price for its floating exchange rate in higher interest rates, higher inflation, and a substantial balance of payments deficit.

"It is not a sustainable policy in the medium term," said one official.

But with unemployment in the EC expected to rise to more than 17m this year and growth likely to be lower than 0.75 per cent, the officials acknowledge the UK boomlet may enjoy short-term appeal elsewhere in Europe.

Consequently, the Bundesbank's decision to lower its discount rate by a quarter point to 7.25 per cent and its emergency Lombard rate from 9 to 8.5 per cent was greeted with relief in Brussels, a sign that the German central bank is sensitive not only to the deepening recession but also to the economic squeeze on its neighbours, particularly France.

By James Blitz in London and Tom Burns in Madrid

SIX central banks intervened on the foreign exchange markets yesterday to buy the Spanish peseta after the currency plunged against the D-Mark inside the European exchange rate mechanism.

The Bank of Spain, together with the central banks of Denmark, France, Ireland, Germany and Belgium, joined in a concerted action to support the Spanish currency after it fell through its central rate against the D-Mark for the first time since devaluing last year.

However, neither two rounds of currency intervention nor a rise in the Bank of Spain's official interest rates, for the second day running, could prevent a sustained speculative attack on the currency, pushing it to a low of Pta74.05 against the D-Mark.

The unsuccessful attempt to maintain the peseta above its central parity fuelled speculation that Spain might have to devalue it or to ask the EC monetary committee to sanction the temporary imposition of exchange controls.

much the Spanish authorities have spent in recent days.

There were rumours yesterday that reserves had fallen by more than 50 per cent, coming down as low as \$20bn (£12.5bn), against a reserve volume quoted earlier this month of \$45bn.

Operators in the London foreign exchange market believed that a devaluation of the peseta would not have a knock-on effect on the ERM as a whole.

Mr Steve Hannah, a director of IBG International, said: "At this stage the market would not see a peseta devaluation as a reason for another attack on the ERM." He believes the fall in French and Danish money market rates in recent weeks are a sign of growing confidence in the hard core of the system.

Mr Neil MacKinnon, an economist at Citibank in London, believes a peseta devaluation would intensify pressure on the Portuguese escudo and the Danish krone. "But the core group in the ERM should hold together," he said.

## Bank of France shaves its interest rates

By David Buchan in Paris

THE Bank of France yesterday shaved 0.25 of a percentage point off both its official interest rates, bringing its intervention rate down to 8.50 per cent and its 5-10 day "repurchase" lending rate down to 9.50 per cent. Virtually all the country's big commercial banks

responded swiftly by cutting their base rates from 9.75 per cent to 9.50.

Earlier, Mr Edouard Balladur, the prime minister, discussed with employers and union leaders the tough fiscal measures he plans next month.

But the day-long talks were inconclusive, with the prime minister seeking and getting

more than the acquiescence of the two sides of French industry that serious measures were needed to save the country's social security and pension schemes from bankruptcy.

The French central bank acknowledged yesterday that it had taken part in the general move to support the beleaguered Spanish currency by

buying an undisclosed quantity of pesetas against francs. Despite such intervention and yesterday's interest rate cuts, the franc held steady.

Meanwhile, farmers in southwest France and fishermen in Brittany yesterday said they would resume their protests this weekend, or next, against sliding prices of fruit and vegetables and cheap fish imports.

Hugh Carnegy in Stockholm adds: The Riksbank, Sweden's central bank, lowered its marginal rate by 0.25 of a percentage point from 9.75 to 9.50

Norges Bank, Norway's central bank, also cut its key overnight lending rate 0.25 of a point, from 8.25 to 8.0 per cent.

Support likely to be less than the \$43bn pledged, IIF calculates

## Shortfall in G7 aid for Russia

By Peter Norman, Economics Editor

THE likelihood of an EC-wide tax on energy to combat global warming edged closer last night as an even split between the Community turned into an 11-1 majority in favour of the principle of a carbon tax — still resisted by the UK.

The six member states, led by Germany and the Netherlands, which have virtually signed up already to the European Commission's proposal for an energy tax, garnered support yesterday from the four poorest EC states and from France, leaving Britain potentially isolated.

Environment and energy

ministers of the 12 were last night still striving for a compromise which the UK could sign up to, but fair distribution of the energy tax burden has been agreed in principle.

The Commission's tax plan

would raise the price of a barrel of oil equivalent by \$10 by the end of the century, with half of the levy falling on all

non-renewable fuel and half on its carbon content.

At yesterday's special ministerial meeting, a "burden-sharing" formula was agreed whereby the tax would be modified to "take into account different levels of economic development and different levels of carbon dioxide emissions of individual member states".

## US should not intervene alone in Bosnia, says Clinton

By George Graham in Washington, Lionel Barber in Brussels and Laura Silber in Belgrade

PRESIDENT Bill Clinton said yesterday the US should not intervene in Bosnia without the support of its allies, despite the mounting pressure on the administration to take some kind of military action against the Bosnian Serbs.

Mr Clinton, who told a news conference he expected the administration's review of US policy on Bosnia to be completed within the next few days, said: "I do not think we should act alone, unilaterally, nor do I think we will have to."

The president repeated that he had not ruled out any option for action, except the direct intervention in Bosnia by US ground troops and that he had high hopes of reaching agreement on joint action with Britain, France and other European allies.

The debate in the US administration over the right course of action in Bosnia broke into the open yesterday, with the US ambassador to the United Nations urging Mr Clinton to order air strikes against the Bosnian Serbs to help the hardened Moslem population.

The ambassador, Mrs Madeleine Albright, is understood to have argued that the US cannot turn its back on its international responsibilities and should be prepared to act alone if it cannot persuade its European allies to join it.

The New York Times also reported that 12 mid-level State Department officers handling the Balkan region had implored Secretary of State Warren Christopher to end "western capitulation to Serbian aggression" and use military force in Bosnia.

Mr Christopher has been reluctant to embrace military options and warned a congressional committee this week that air strikes might halt the UN relief operations in Bosnia. This argument against military action has also been deployed by Britain and France, both of

which have troops under the UN flag in Bosnia.

A similar debate also divides the Pentagon, where Defence Secretary Les Aspin appears open to the idea that air strikes might deter aggression, while General Colin Powell, chairman of the Joint Chiefs of Staff, remains sceptical.

At the White House, Mr Anthony Lake, Mr Clinton's chief national security adviser, is understood to be among those arguing for air strikes.

European Community foreign ministers will discuss the full range of military and diplomatic options to end the fighting in Bosnia at Hindsgavl Castle, near Copenhagen, today.

EC members remain as divided as the US administration with the majority leaning towards a tightening of new sanctions against Serbia and Montenegro.

A spokesman for the Danish presidency said it was possible that the foreign ministers might issue a joint statement on the west's response to the Bosnian crisis tomorrow.

President Franjo Tudjman of Croatia said yesterday that he had urged Mr Clinton to call a summit of all the leaders of the warring factions in the former Yugoslavia to resolve the Balkan conflict.

"All attempts at solving the issue through international conferences have led nowhere," Mr Tudjman said after returning from a visit to the US. "President Clinton should my proposal deserved consideration."

Meanwhile, the self-styled Bosnian Serb parliament met behind closed doors in Bosanski Novi, near the border with Croatia, yesterday, to decide once again whether it would accept a peace plan brokered by the UN and European Community mediators, Mr Cyrus Vance and Lord Owen.

The Security Council was not expected to make its final decision until after a meeting between its leader, Mr Radovan Karadzic, and Lord Owen in Belgrade later yesterday. "We are trying hard to



At a friend's funeral in Sarajevo, Mehmed Balic weeps over a bag containing the bullet-riddled clothes of his brother, shot by Serb snipers hours before

will be implemented without further delay. The Bosnian Croats and Moslems have already signed the plan, which would divide Bosnia-Herzegovina into 10 semi-autonomous provinces.

As the parliament met, a six-member UN Security Council mission headed for Bosnia to make a first-hand appraisal of the war, amid calls from non-aligned members of the 15-member Security Council for stronger action against the Bosnian Serbs.

find solutions acceptable for the Serbs after some modifications, some changes to the plan," Mr Karadzic told reporters in Bosanski Novi.

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## Former Bank of Italy chief dies

By Robert Graham in Rome

WITH the death of Mr Guido Carli yesterday at his Spoleto home at the age of 79, Italy has lost one of the few great post-war servants of state.

In a distinguished career spanning almost 50 years in both the public and private sector, he will be best remembered for his long term as governor of the Bank of Italy from 1960-75. This was a key period during which Italy became one of the world's seven leading industrialised economies.

Yesterday the Italian establishment united in paying tribute to Mr Carli, highlighting his integrity and his contribution to Italy's postwar economic development. Trained as a lawyer and gaining the Military Cross during the second world war, he joined the Bank of Italy in 1946. He took part in the Bretton Woods negotiations setting up the International Monetary Fund and

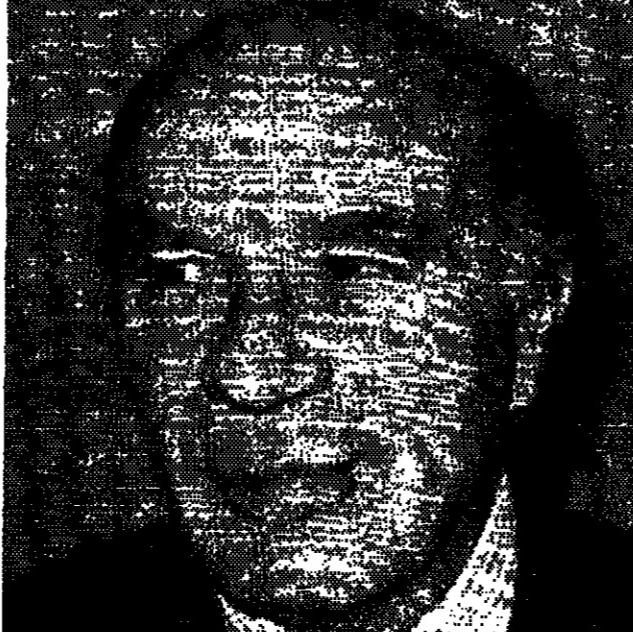
World Bank and was subsequently the first Italian executive director of the IMF.

After leaving the governorship of the Bank of Italy, Mr Carli took on the presidency of Confindustria, the industrialists' association, for four years at a time of confrontation between management and unions.

In 1983 he became a Christian Democrat senator, and in 1989 treasury minister. Here he was instrumental in boosting the treasury team, pressuring for Italy's inclusion in the European Monetary System and a start to privatisation.

Although he gave considerable international credibility to the Andreotti government's economic policies, he never hid his disappointment that so little was done either to privatise or to reduce Italy's mountain of debt.

Carli (right): career spanned almost 50 years



## Central banks rush to defence of peseta

By James Blitz in London and Tom Burns in Madrid

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rounds tomorrow's vote.

Earlier this week the Russian parliament accused Mr Yeltsin of attempting to fix the result by issuing sacksful of fixed ballot papers to polling stations.

Mr Yeltsin's supporters, for their part, yesterday claimed that pro-Yeltsin groups were being intimidated in many rural regions which are hostile to Mr Yeltsin.

Speaking in Moscow, representatives from the pro-Russian "Democratic Russia" movement said they would set up a legal "first aid" telephone service to report cases of fraud.

"There is a great likelihood of falsification," said Mr Dmitri Kataev of Democratic Russia, who claimed that although

Moscow had now enlisted 7,000 observers, many rural regions were still critically short of observers to oversee the vote.

With more than 100m voters registered and 96,766 polling stations, the monumental logistics of the vote mean that guarding against fraud, irrespective of political interference, will be, at best, an uncertain task.

Since the voting centres lack

computers, the ballot papers

will be counted by hand, before

the results are sent by telegram to Moscow. The papers

could theoretically total up to

400m — each of the four referendums is printed on a separate sheet — although

many eligible voters will not

take part. Mr Kazakov yester-

day admitted that many of the polling stations, which are scattered across nine time zones, still lacked sufficient voting papers or official placards.

Although the organising committee had hoped to ease the counting process by printing the papers in different colours, the plan was dropped when they discovered there was not enough ink in the country to do this.

Several dozen international

observers have arrived in the

country, at the invitation of

local political parties. But with

their status still in some dis-

pute, particularly in the

regions hostile to Mr Yeltsin,

their role in the election pro-

cess remains unclear.

**Russians reject vote-rigging claim**

By Gillian Tett in Moscow

THE organisers of tomorrow's federation-wide Russian referendum yesterday hit back at allegations that

rush  
peseta

# UK civil servant powerless to halt EBRD spree

ODA man supervising building was unable to prevent lavish spending on bank's London headquarters

By Robert Peston, Banking Editor

A BRITISH civil servant "lived a nightmare" last year as he watched the lavish spending on the European Bank for Reconstruction and Development's London headquarters, an official close to the scandal said last night.

But Mr Nicholas Bailey, a member of the bank's building sub-committee, was unable to halt the spending of millions of pounds on replacing marble in its new head office, redesigning the interiors of its lifts and installing curved wooden doors.

The official said Mr Bailey had no power to prevent the lavish spending, because the bank's board had approved the building budget and the UK government's grant of £40m for the EBRD's buildings was given to the bank without any conditions attached.

The ODA scrutinised the

But, because the grant had been given, Mr Bailey, an official at the Overseas Development Administration, was made a member of the EBRD's building committee, which was set up to supervise work on the £55m fitting out of its new headquarters at Exchange Square in the City of London. No public official from any of the other 55 countries or agencies which own the bank was on the committee.

The committee was chaired by Mr Pierre Pissaloux, the EBRD's director of the budget and director of the cabinet of Mr Jacques Attali, the bank's president.

At the end of 1991, the British government was involved in fixing the original budget for the building of £53m. The EBRD set this budget having employed the chartered surveyors, Gardiner and Theobald, as cost consultants.

The ODA scrutinised the

THE World Bank has completed negotiations with Russia on a \$1bn (£600m) project to boost output from the Siberian oilfields, writes George Graham in Washington.

The deal, still to be approved by the World Bank's board of directors, would support Russian government efforts to revitalise the oil industry and

fund a programme of well upgrades designed to increase production by 33,000 tons a day.

This would raise Russia's national output by 3 per cent or \$1.5bn a year, the World Bank said.

The World Bank is to provide more than \$300m for the project, which will be co-financed by the European

Bank for Reconstruction and Development.

Additional funding is expected from national export credit agencies.

The energy sector has been a focus for development projects in Russia because of the potential for rapidly boosting export earnings by improving the efficiency of the country's oil fields.

French firm Berthet & Pochy as leading architects, these procedures were not followed.

Berthet & Pochy had started to draw up plans for the building design before they were awarded the contract, according to a UK government official.

The EBRD wanted Berthet to be appointed, the official said. "Architects are often the choice of the client," he said.

The UK government "looked at the firm's credentials," according to the official, and was convinced it could "do the job". The official said that the government "knew of Berthet's association with Attali". Three years ago Mr Attali wrote the preface to a book on the work of Berthet & Pochy.

Because Berthet had already done design work and a public competition would take at least two months, the government agreed that Berthet could be appointed as the leading

designer on the project. When building began, the EBRD discovered that the costs of certain materials were lower than it had anticipated in the budget. The savings were around £5m.

But rather than save the money, the building sub-committee decided to make the fittings and furnishings more luxurious. The UK government is understood to have been alarmed when it learned of the "excesses", according to an official, but felt it could not intervene, since the board had approved the budget.

In the event, the spending got so out of hand, that around the beginning of this year the EBRD had to ask its directors to increase the building budget to £55.5m. The British government sent a letter warning that spending must now be more tightly controlled. But in the words of the official, the horse had already bolted.

## NEWS IN BRIEF

### Austrian economy heads for year of stagnation

AUSTRIA is likely to suffer a short period of economic stagnation this year, with growth resuming at a modest 1 to 2 per cent next year, according to an annual country study by the Paris-based Organisation for Economic Co-operation and Development (OECD). Ian Rodger reports from Zurich.

The OECD sees unemployment, at 5 per cent, continuing to rise. Inflation, at 4 per cent, should soon fall because of the sensitivity of Austrian trade unions to the risk to employment.

The study says Austria has "reaped the full benefits from building credibility" by pegging the schilling to the D-Mark. The short-term interest rate differential with Germany has disappeared and the country was unaffected by last autumn's currency turmoil.

High public-sector deficits and protectionist policies come in for stiff criticism. The study acknowledges that in the current recession it will be difficult to make progress on reducing deficits but urges the government to do better during the next period of growth than it did during the last one.

### New Zealand exports at record

New Zealand exports increased by 9.3 per cent to NZ\$18.67bn (£8.5bn) in the 12 months to March 31, a record, the Statistics Department reported yesterday. Terry Hall reports from Wellington.

The figures are the latest to point to a strong improvement in the New Zealand economy, which economists say is due to a more competitive domestic market and a sharp fall in the exchange rate over the past year. New Zealand showed a trade surplus of NZ\$1.89bn in the 12 months to March 31, NZ\$354m lower than the previous year.

### Demirel set to become president

Mr Suleyman Demirel, Turkey's prime minister yesterday received the endorsement of his True Path party DYP, the largest party in parliament, to succeed the late Turgut Ozal as president. John Murray Brown reports from Ankara.

With the backing of the DYP parliamentary group, Mr Demirel is widely expected to be elected in the first ballot of deputies on May 8.

### Prominent Sri Lankan killed

A prominent Sri Lankan opposition leader was shot and killed by a lone gunman at a campaign rally near Colombo yesterday. police said. Reuter reports from Colombo.

Mr Lalith Athulathmudali, leader of the Democratic United National Front and a former minister, was rushed to hospital, where he died, clutching his stomach after being hit by gunfire at the rally at Kirillapone near Colombo. The unidentified gunman escaped.

### Eritreans vote for independence

Jubilant Eritreans flocked to vote yesterday in a referendum certain to deliver independence from Ethiopia - the fruit of victory in Africa's longest civil war. Reuter reports from Asmara.

Hundreds of people queued patiently at polling stations for the chance to secure the prize of 30 years' bitter fighting. Eritrea, a former Italian colony federated with Ethiopia by the United Nations in 1952, has effectively been governed as a separate state since May 1991 when Ethiopia's marxist dictator Mengistu Haile Mariam was overthrown.

### Tobacco protest in Zimbabwe

Hundreds of tobacco farmers are withdrawing their crop from Zimbabwe's auction floors in protest against the low prices on offer. Reuter reports from Harare.

At least 30,000 bales of tobacco were pulled out of the market on Thursday and yesterday by angry farmers who said they would return later in the year if the prices improved.

Since the 1993 auctions opened two weeks ago, a kilo of Zimbabwe's fine-cut "gold leaf" has been fetching an average of \$1.11 - just over half last year's average price.



A Tokyo man is dragged away from a demonstration protesting against Emperor Akihito's visit to Okinawa. The emperor is seeking to atone for the suffering by islanders during World War Two. More than 200,000 died during three months of battles in 1945

## Bank of Japan criticises Clinton

By Charles Leadbeater  
in Tokyo

THE Bank of Japan yesterday joined the rising chorus of Japanese criticism of President Clinton's remarks a week ago which have fuelled the rapid appreciation of the yen over the past few days.

A senior bank official said it

was highly inappropriate that the foreign exchange market should be moved by improper comments which were not well

thought out.

The official accused the US administration of toying with exchange rates amid confusion in their ranks about the mix of policies needed to reduce the US trade deficit with Japan.

President Clinton suggested

a stronger yen was one of several factors working to reduce Japan's trade surplus.

"There are some dangerous

signs that there is too much

boycott around with exchange rates," the official said. If the

purpose is to reduce the international trade imbalance then the policy should be applied more consistently and not undermine the efforts we are making to revive the economy."

He warned that the yen's rise risked stifling the incipient recovery in the Japanese economy.

Japanese politicians and officials are torn in their response to the currency's rise.

A string of leading politi-

cians

has

attacked

President

Clinton's

remarks

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days.

Mr Yoshiro Mori, the trade minister yesterday said he felt "extremely angry" at the way the US administration had talked up the yen.

However, Mr Miyazawa and other senior officials have attempted to mute the criticism for fear of further straining economic relations with the US which threaten to become increasingly fraught.

**US 'will set' Japan market targets**

By Michio Nakamoto in Tokyo

THE US is determined to set targets on opening up Japanese markets to American goods, Mr Ron Brown, US Secretary of Commerce, said in Tokyo yesterday.

We are very serious about a results-oriented approach and measurable results and monitoring those results," he said.

"The unfortunate fact of the matter is that despite the best efforts of our two governments, the Japanese market is still not truly open to American products."

Mr Brown spoke against a background of US frustration

at a bilateral trade deficit in 1992 of nearly \$50bn.

He is in Tokyo for an international conference on assistance to Russia. But he arrived two days in advance for meetings with Mr Kiichi Miyazawa, the prime minister, Mr Kabun Muto, the foreign minister and Mr Yoshiro Mori, trade and industry minister, which will highlight the tough stance the Clinton administration is adopting in its trade talks with Japan.

The Japanese side, so far, has maintained that any attempts to impose quantitative targets will be vigorously resisted.

Officials at the Ministry of International Trade and Industry have also tried to play down the implications of the tough rhetoric from the US by emphasising that there has been no formal proposal from the US on targets for specific sectors.

While Japan insists that the shape of a new framework for bilateral trade talks has yet to be determined, the US has no doubts about what it is looking for in the new agreement.

Mr Brown said that two new bilateral agreements will be drawn up to address both structural and sectoral issues.

The US and Japan will work

to remove barriers to market access in specific sectors which the US considers strategically crucial. Success will be measured by sales, he said.

He also cited the US-Japan semiconductor arrangement, which refers to a 20 per cent market share for imports, as one example of a successful results-oriented approach.

Despite Japanese insistence that it will not agree to quantifiable targets, Mr Brown was confident the two sides could reach agreement.

Reducing the trade imbalance was in the best interests of Japan too, he said.

## Yemen opposition hopes to banish rule by the gun

The poll may be dubious, but at least it's happening. Mark Nicholson and Eric Watkins report

**S**O heavy are the odds against Yemen's opposition parties, according to Mr Abdul Rahman al-Jifri, outspoken president of the Sons of Yemen party, that one wonders why he is bothering to lead his party into the country's first multi-party elections at all.

Plucking from sprigs of qat leaves, the mild stimulant munched universally by Yemen's chattering classes, Mr al-Jifri heaps accusations of electoral trickery against the ruling coalition of the General People's Congress and the Yemen Socialist party - respectively the former ruling parties of North and South Yemen.

His own group, which he describes as liberal Moslems, is fielding 90 candidates in Tuesday's polls. It is among the biggest of the 30 or so parties seeking a place in Yemen's first elected parliament since unification in 1990. But Mr al-Jifri holds out scant

hope for their collective chances in the face of some characteristically robust Yemeni politicking.

To cook the results, Mr al-Jifri alleges, the ruling parties are filling in soldiers' ballot papers in advance. He says they are trying to contrive a strike at the state television centre to deprive other parties of publicity. But mostly, he says, they are buying votes with money, offers of jobs and, in some cases, Kalashnikov rifles, a prize Yemeni status symbol and worth up to \$800 each.

The litany is barely finished before an aide enters Mr al-Jifri's long, elegantly carpeted qat salon, replete with two giant water pipes and seating for about 40, to hand him a slip of paper, which he reads.

Apparently someone in a government car has been seen tearing down our posters, he says. "A full colonel dressed in uniform. A black land-

cruiser,

plate number 4272. A govern-

ment car. Amazing."

Mr al-Jifri, a veteran of violent campaigns against the British and the communists in former South Yemen looks most unmoved.

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# Timex 'ready to settle' dispute at Dundee

By Robert Taylor,  
Labour Correspondent

**TIMEX**, the American multinational company, is ready to settle the increasingly bitter strike at its Dundee plant if the workers and their union - the AEEU - are willing to negotiate a Japanese-style agreement with an end to demarcation lines, and the introduction of total quality management, multi-skilling and team working.

Timex is now ready to talk to the union but will insist that it must guarantee - and not just promise - a change in attitude at the plant that

will enable the company to reach profitability. The company will not accept any return to business as usual.

In his first interview since the strike began, Mr John Dryfe, Timex's US vice-president, said from the company's Connecticut headquarters: "All we want from the employees and the unions is an acceptance of the same greenfield site conditions and attitudes at the Dundee plant that they are happy to negotiate with any new foreign company which decides to invest in Britain."

"We want to turn our operations

in Dundee into a world-class manufacturing facility and encourage our employees to participate in achieving this."

He added: "The company is saying let us co-operate together on solving the problems of the 1990s, not go on fighting the battles of the 1930s and '50s. The world has changed. We all have to adapt. Otherwise we are going to face disaster."

He added: "Making circuit boards for electronic companies requires higher concentration and discipline on the production lines."

Since the dismissal of the 340 pro-

duction workers at the lossmaking Dundee plant 13 weeks ago, the company's US head office has kept a close watch on events. The plant is continuing to produce circuit boards under contract for the electronics industry with 210 replacement workers helped by office staff and management.

Mr Dryfe said he regretted that the company had to dismiss all its original employees but he added that there had not been a master plan. "It was never our intention to sack all our employees but we were forced into it," he said.

"I believe we were left with no alternative if we wanted to keep the

plant in business. Underlying everything else is the fact that the subcontracting business is very competitive. We thought and still believe we were in danger of losing our business customers and we would be left without a future," he added.

Mr Dryfe said that another reason for the company's decision was the breakdown of trust between the company and local union officials: "We saw no willingness by local union officials to compromise."

He added that Timex does not feel the same lack of trust towards union officials at a higher level.

Within hours of what he claims

was an agreement last February on layoffs, a pay freeze and a cut in benefits, Mr Dryfe said he was surprised to find that local union officials had rejected it. At two mass meetings the Timex workers then threw out the deal but agreed to go back to work "under protest".

Mr Dryfe said he did not know what this was supposed to mean: "We could only conclude if they came back they would immediately go out on strike again."

He added: "We warned the workers individually by letter they would be fired if they did not accept all four points in the deal."

## Pirelli to cut 700 car tyre jobs

**PIRELLI**, the tyre manufacturer, is to cut 700 car tyre production jobs at its Burton-on-Trent plant and relocate production to other plants, primarily that in Carlisle, the company's other UK manufacturing site, Liss Wood writes.

The company said the redundancies were in response to the "considerable deterioration in demand in the European tyre market".

Pirelli, as part of a big restructuring programme in Europe, is concentrating different types of tyre production into single specialised manufacturers in its distribution network in order to reduce costs. Since 1991 the group has shed nearly 6,000 jobs in Italy, Germany, Spain and Greece.

The Burton-on-Trent plant will retain about 600 jobs in the continued production of truck tyres and head office activities.

## Red Hot case goes to appeal

**CONTINENTAL** Television, the pornography satellite company, is to go to the Court of Appeal in an attempt to overturn the government's decision to restrict its programmes being received in Britain.

Two High Court judges yesterday referred the case to the European Court of Justice, the question of whether the government was entitled, under European law, to try to prevent the channel's Red Hot Television programmes being received.

Lawyers for the satellite company said they expected the Court of Appeal hearing to be held next week.

## London bus crews to strike

**LONDON** bus crews will hold two more one-day bus strikes, on Monday April 26 and Monday May 10, the TGWU general union announced yesterday. The union has already held three such strikes in protest at wage cuts and longer hours.

## Move on new home warranties

The government has asked Sir Bryan Carsberg, director-general of fair trading, to make the National House Building Council amend its structural warranty scheme for new homes so that builders can use comparable alternative ones.

The change was recommended by a 1991 Monopolies and Mergers Commission report which found that the NHBC scheme operated against the public interest.

## Telecottage start

THE Telecottage Association, which will offer training, marketing and low-cost equipment for hire to telecottages - small business centres in rural areas - was launched yesterday.



Hearing no evil: John Major watches an aircraft during his visit yesterday to the British Aerospace factory in Warton, Lancashire

## BCCI has 'black hole in assets'

By Neil Buckley

**LIQUIDATORS** yesterday warned of a \$12.4bn (£58bn) "black hole" of unrealisable assets around the world in the collapsed Bank of Credit and Commerce International.

Partners at accountants Touche Ross said they had realised only 4.5 per cent of the bank's stated assets of \$14bn. They expected further realisations to total another 8.7 per cent. But they stood by their original projection that creditors would receive dividends of 30p to 40p a pound.

The figures were announced as Mr Christopher Morris, one of the joint liquidators to BCCI SA, released a report submitted to the Department of Trade and Industry and circulated to the bank's creditors.

Mr Morris warned that he was studying the involvement of regulators - including the Bank of England - in the supervision of BCCI. "If there are actions we can properly bring against the regulators we will bring them," he said.

The liquidators disclosed that they had launched a \$10bn action in the US at the end of last year against the National Commercial Bank of Saudi Arabia, Sheikh Khalid bin Mahfouz, and a third party. They are already suing Price Waterhouse and Ernst & Whinney - now part of Ernst & Young - former auditors to BCCI for about \$8bn.

They also issued a bankruptcy order on Wednesday against Mr Nazmu Virani, former chairman and chief executive of Control Securities, for personal debts to the bank.

Other money is expected to come from a settlement negotiated by the liquidators with the government of Abu Dhabi, the majority shareholders in the bank.

But Mr Fred Goodwin, another partner involved in the liquidation, said that most of BCCI's stated assets in 1991 had been grossly inflated and that billions of pounds had been "deliberately removed" to a network of trusts and nominee corporations.

Against realisations until January 15 this year of \$719m by the British liquidators to BCCI, liquidators' fees totalled \$133.3m and legal fees \$37.3m. Total expenses were \$280.4m.

Aggregated fees including figures from other liquidators to the bank totalled \$184.1m, compared with realisations of \$794m.

Mr Morris said the sum included "many millions of pounds" in work from the consulting arm of Touche Ross, which developed new computer programmes and systems to replace BCCI's 10-year old systems.

The level of fees was attacked yesterday by Mr Adil Elias, chairman of the BCCI Depositors Protection Association and a member of both the UK and Luxembourg creditors' committees. He said he planned to call on the UK courts to appoint an independent auditor to scrutinise the figures.

• Sir Nicholas Lyell, the attorney-general, told the Commons yesterday that the inquiry by the serious fraud office into BCCI had so far cost £5,203,000.

## Grey skies begin to clear for Major

Philip Stephens finds that after months spent in the darkness the PM now has a spring in his step

**T**HE GREEN SHOOTS had taken root at last. The end was in sight for the Maastricht treaty. Ministers ordered champagne in the bars of Westminster. Mr John Major decided that it was time to start rebuilding his political authority.

For the first time in recent memory the prime minister this week had a spring in his step. After months of living in the shadow of his party's deep unease over the recession and its divisions over Europe he felt confident enough to set out again his own agenda.

Sketching his vision of Britain's future in Europe, he abandoned the ritual genuflections to the Tory Eurosceptics which have blurred his message since last autumn.

He dismissed as victims of the nostalgia of empire. His cruel image of Lady Thatcher, once the invincible Iron Lady, was a phantom grandeur - "a clanking of unusable suits of armour". It was time for his opponents to catch up with Britain's place in the world - and in Europe.

Last night Mr Major underlined that he has turned his back on her economic strategy - above all on the calculated indifference to manufacturing industry which permeated the 1980s.

There would be no return to 1970s corporatism. But this

## Mayhew hints at new Ulster talks

By Ralph Atkins

facilities as possible areas for co-operation.

Sir Patrick hopes to restart formal talks with Unionists,

nationalists and the Irish government after the province's

May 19 local elections. He is drawing up outline proposals as a starting point for talks - ending a near silence by the government on specifics of Northern Ireland policy since the first set of round-table talks three years ago.

Sir Patrick balanced Unionist and nationalist aspirations and hinted strongly that he supports a central demand of Ulster Unionist MPs - the setting up of a Northern Ireland select committee at Westminster. He also ruled out Britain

and Ireland having joint political authority in Northern Ireland.

The speech underlined the shift in Conservative thinking since the 1980s away from an overtly Unionist stance towards a "neutral" role. But his plans may revive fears among Unionists that they have more influence to lose than gain from re-entering talks.

Sir Patrick said government systems based on simple majority rule "were not successful before and they would not be sufficiently acceptable now. Such a system in a divided society could simply not be relied on to provide a fair deal for both sides of the

community or to command the allegiance of each."

He said the current status of Northern Ireland as part of the UK would not change without the consent of the province's population. But he added:

"Correspondingly, there is no prospect of an agreement preceding a political united Ireland if, at some future date, the public's view should change."

Sir Patrick said there was a new "intensity" behind public calls for the resumption of political talks. He said the prospects for ending terrorism "would be dramatically improved by a political accommodation leading to political stability in Northern Ireland".

## Press freedom bill fails to progress

By Ivor Owen,  
Parliamentary Correspondent

THE PRIVATE member's bill seeking to establish an independent press authority made no progress in the Commons yesterday and has virtually no chance of becoming law.

Mr Clive Soley, the Labour MP who is chief sponsor of the Freedom and Responsibility of the Press Bill, repeatedly accused Tory backbenchers of deliberately denying it the time needed to complete the report stage by prolonging debate on an earlier measure.

His protests were ruled out of order by Dame Janet Fookes, the deputy speaker.

Mr Robert Key, junior heritage minister, reaffirmed that the government was opposed to the bill and said it needed further time to prepare its own proposals. These would be aimed at securing a proper balance between press freedom and the rights of the individual.

Mr Key confirmed that the views of the Culture Committee and recommendations by the Commons national heritage committee would be taken into account.

the body, twisting, stooping or reaching upwards?

• Are loads heavy, bulky or unstable?

• In the working environment, are there constraints on posture or are lighting conditions poor?

• Do tasks endanger pregnant women or call for special training?

Any part of the operation which would lead to a "yes" answer will need action if employees are not to risk being added to the statistics.

*Lighten the Load* information pack for employers. Freephone 0800 500 565 from Sunday.

## Employers feel a sharp pain from the bad back

Diane Summers on reasons behind the biggest ever health campaign

The executive says back

injuries arising from workers lifting or carrying objects account for more than a quarter of all notifiable accidents at work. An average of 20 days off work is taken for each reported accident.

It adds that it is not only people doing heavy manual work who are at risk - nurses lifting patients can be injured, as can office workers moving equipment or even cartons of paper.

The statistics underline the

extent of the problem, the executive says. Many lifting and carrying accidents go unreported either because they are relatively minor - but nevertheless disruptive - or because they are cumulative and do not show themselves for years.

The Manual Handling Operations Regulations 1992 - which came into effect on January 1 this year - spell out employers' legal obligations in preventing back injuries.

They oblige companies to:

handle involving a risk of injury as far as is reasonably practicable; to assess manual handling operations where such handling cannot be avoided; and to reduce the risk to the lowest level practicable.

For small businesses, in particular, this may sound like yet more Brussels-inspired bureaucracy and form-filling. The executive says a written assessment is necessary "only if it is too complex to repeat when necessary" - presumably to explain to an inspector.

### What causes accidents at work?

Accidents which result in time lost or time off work

5% Using machinery

8% Falling off things

15% Being struck by an object

21% Tripping over things

34% Lifting and handling objects

17% Other

Source: Health and Safety Executive

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Pirelli to cut 700 car tyre jobs

## Sharp rise in shop sales raises hopes

By Emma Tucker,  
Economics Staff

**THE GROWING** belief that economic recovery is under way in the UK was boosted yesterday by the news that retail sales rose strongly last month.

At the end of a week of promising economic data, the Central Statistical Office reported that shop sales rose a seasonally adjusted 0.5 per cent in March compared with February, and were 4.1 per cent higher in the same month a year ago. The year-on-year increase was the sharpest for four years.

The rise in sales volumes followed a 0.1 per cent increase in February and was the third consecutive monthly rise. In the latest retail sales rose by 1.6 per cent compared

with the previous quarter and were 3.3 per cent higher than the same three months a year ago.

The increase was more evenly distributed across the retail sectors than it was in previous months, with the non-food sector beginning to catch up.

Non-food sales rose by 0.4 per cent month-on-month to stand 3.5 per cent higher than a year ago, while food sales edged higher by 0.1 per cent compared with February.

The British Retail Consortium, a trade body representing more than 90 per cent of the retail industry, said it was particularly heartened by signs of increased activity in sales of goods related to the housing market, such as carpets and furniture.

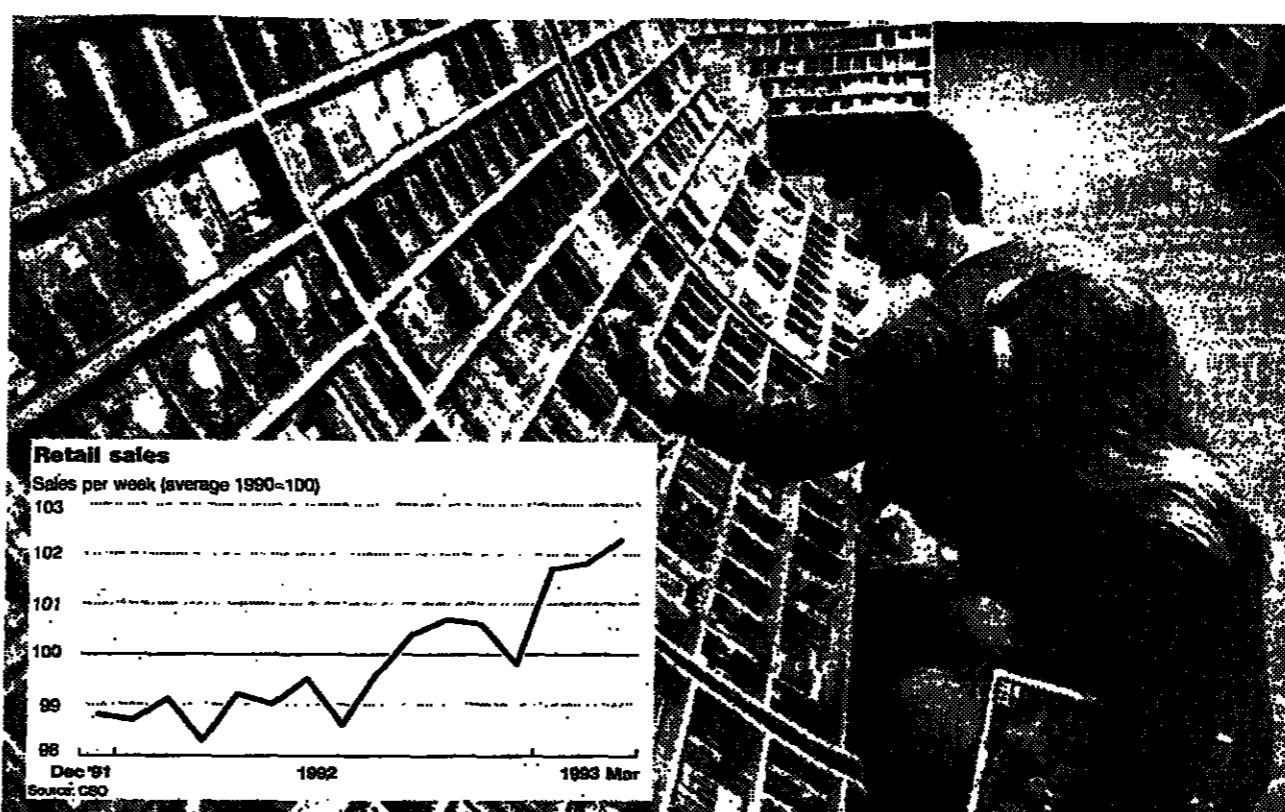
Sales of household goods

rose by 2 per cent in the latest three months compared with the previous quarter, and were up 4.3 per cent on a year ago.

Clothing and footwear sales were also higher. They increased by 1.2 per cent in the latest quarter compared with the previous one, and were 6.5 per cent higher than a year ago.

The only sector to register a decline in the latest quarter was mixed retail businesses, which covers most types of department stores. Sales dropped by 0.3 per cent in the three months to March compared with the previous quarter but were up 3.6 per cent on a year ago.

The value of retail sales in March was a non-seasonally adjusted £2.65bn, 6 per cent higher than in March last year.



## Lending fall shows demand still weak

By Peter Marsh,  
Economics Correspondent

**A SURPRISE FALL** in bank and building society lending to individuals and companies has underlined the fact that demand pressures are still weak in spite of signs of recovery.

Lending in March fell by £1.2bn compared with the previous month, after a £700m rise in February, according to figures released yesterday by the Bank of England.

Some of the seasonally-adjusted fall can be explained by large debt repayments in the manufacturing sector.

M4, a broad measure of money supply which takes in bank and building society deposits as well as notes and coins, rose by 0.7 per cent in March compared with February to show a year-on-year rise of 3.6 per cent.

Although this was higher than the year-on-year increase in February of 3.3 per cent, the figure is still only just inside the Treasury's "monitoring range" of 3 per cent to 9 per cent. That indicates relatively fragile demand for credit.

The British Bankers' Association said that last month the nine biggest banks which it represents received net repayments of £200m, after showing a rise in lending of £200m in February.

The association said manufacturers had repaid debts, on a non-seasonally adjusted basis, worth a net £1.3bn. This was the largest figure since it started records in 1986.

The performance of forging companies is a barometer of manufacturing fortunes. Nearly 55 per cent of forgings go to the car, commercial vehicle and tractor sectors.

Gross sales in March were £1.75bn, the second-highest monthly total. After repurchases from investors of £1.03bn, net sales were £719m. About half of the gross sales came from private investors, the remainder from institutions.

Funds in the UK growth and UK equity income sectors achieved the best growth and net sales during the month.

Mr Graham Mackenzie, chief executive of United Engineering Steels, which accounts for about 45 per cent of UK production and exports 40 per cent of its forgings, said the fall in European car sales was "catastrophic". He did not expect recovery until "well into 1994".

He added that difficulties

## Non-EC trade deficit narrows

By Emma Tucker,  
Economics Staff

**THE UK'S** trade deficit with countries outside the European Community narrowed slightly last month, with export volumes starting to benefit from the devalued pound.

In March the value of visible, or merchandise, imports from non-EC countries continued to exceed the value of exports but by only £918m. This compares with a visible trade deficit of £1.25bn in February.

Export values reached a record high of £4.7bn, suggesting that companies are taking advantage of the lower pound.

The trend was backed up by a similar rise in the volume of exports. These rose to a record high and were up 4.5 per cent in three months to the end of March, compared with the previous three-month period.

Import volumes fell marginally month-on-month but were also 4.5 per cent higher than in the three months to December. A 16 per cent increase in import volumes compared with the same period a year ago was consistent with evidence that

VALUE OF TRADE WITH NON-EC COUNTRIES  
Balance of payments basis seasonally adjusted (£bn)

	Exports	Imports	Balance	Exports	Imports	Balance
1991	44,477	53,684	-9,407	38,289	45,252	-6,963
1992	46,573	55,510	-9,937	40,522	48,187	-7,665
1992 Q1	11,288	13,618	-2,330	9,832	11,550	-1,718
Q2	11,641	13,898	-2,257	10,108	11,820	-1,714
Q3	11,556	13,678	-2,122	10,048	11,676	-1,628
Q4	12,088	15,316	-3,228	10,538	13,141	-2,605
1992 Oct	4,021	4,828	-807	3,470	4,175	-705
Nov	3,988	5,045	-1,057	3,454	4,314	-860
Dec	4,099	5,443	-1,344	3,612	4,652	-1,040
1993 Jan	4,345	5,405	-1,060	3,764	4,561	-797
Feb	4,458	5,709	-1,250	3,822	4,705	-883
Mar	4,733	5,651	-918	4,028	4,692	-664

(defined as ships, aircraft, precious stones and silver)

the economy is recovering.

Excluding oil and erratic items, such as precious stones and ships, the Central Statistical Office figures showed that export volumes grew by 5.5 per cent in the latest quarter compared with the previous one. Underlying import volumes were up 3 per cent on the pre-

vious three months and 14 per cent on a year ago. Trends in export and import volumes for non-EC trade, excluding oil and erratic items, were rising at about 1 per cent every month.

The figures, which account for just less than half of the UK's total trade with the

world, showed a big rise in the UK's trade deficit with North America. This widened from £256m in February to £320m in March.

The CSO stressed that it was not possible to deduce from the figures what was happening to trade with the EC. The first intra-community trade figures, measured by a new method, will be released on June 23.

The balance of trade with Europe excluding the EC improved slightly on the month, but the value of imports from these countries - mainly eastern Europe and Scandinavia - rose by 31 per cent in the latest three months compared with the same period a year ago. This compares with a 6.5 per cent increase in exports.

Export growth has been concentrated in basic materials and food, drink and tobacco. Import values have shown their strongest rises in basic materials and manufactured goods. Imports of manufactured goods rose 23 per cent in the three months to the end of March compared with the previous quarter.

Imports of oil and erratic items, such as precious stones and ships, fell 1.6 per cent in March compared with February. This compares with a 4.5 per cent increase in the previous month.

Underlying import volumes were up 4.5 per cent in March compared with the previous quarter.

## Unit trust funds at record

By Philip Coggan,  
Personal Finance Editor

**UNIT TRUST** sales in March reached their highest level since the 1987 stock market crash with funds under management reaching a record £70.7bn.

The UK's departure from the exchange rate mechanism has led to falling interest rates and increased share prices over the past six months. That has attracted savers away from the building societies and into equity-based investments. Unit trusts have reaped the benefit.

Gross sales in March were £1.75bn, the second-highest monthly total. After repurchases from investors of £1.03bn, net sales were £719m. About half of the gross sales came from private investors, the remainder from institutions.

Funds in the UK growth and UK equity income sectors achieved the best growth and net sales during the month.

## Forging industry remains sluggish

By Paul Cheeseright,  
Midlands Correspondent

**OUTPUT** from the forging industry continues to languish in spite of evidence of improvement in the national economy.

Executives at the annual meeting of the British Forging Industry Association yesterday reported that after a 9.3 per cent fall in deliveries last year the domestic market remains sluggish while exports will be affected by the downturn on the Continent.

The performance of forging companies is a barometer of manufacturing fortunes. Nearly 55 per cent of forgings go to the car, commercial vehicle and tractor sectors.

The association said total deliveries last year were 158,794 tonnes - less than 59 per cent of 1990's figure. Exports accounted for 18.5 per cent of production.

Although executives have been encouraged by the growth in domestic car production, the association said that "a year of slow recovery, punctuated with occasional setbacks, is the best that can be hoped for in 1993".

Intense price competition is expected, especially from Indian and Italian companies.

## Building societies see steady upturn . . . but agents disagree

By John Gapper  
and Andrew Taylor

**FURTHER EVIDENCE** of a steady recovery in the housing market emerged yesterday when building societies disclosed that the value of house buyers' commitments to buy mortgages rose for the second month running in March.

However, the reports below from FT writers in the regions show that many estate agents in England and Wales see only a patchy recovery and are cautious about house prices.

Mr Mark Bolaté, Building

Societies Association director-general, said reports of increases in activity suggested that lending would continue to increase.

Mr John Wrigglesworth, UBS analyst, said the increase in net new commitments was significant in spite of the fact that the total for the first quarter was only £7.36bn compared with £8.43bn for the same period last year.

He said societies were clearly managing to increase their lending steadily in spite of competition from other mort-

gages lenders such as Abbey National and banks.

Mr Bolaté said the rise in house activity had also helped societies to increase their inflow of retail funds because individuals selling homes had capital available to them.

Societies' net retail inflow in March was £245m, following an inflow of £226m in February and £263m in January. The total for the quarter at £830m was well up on the first quarter of last year, when societies achieved an inflow of £266m.

Societies are worried that

they face strong competition for retail funds from the government's National Savings products and from equity products.

Last year's total retail inflow of £256m was well below inflows in previous years.

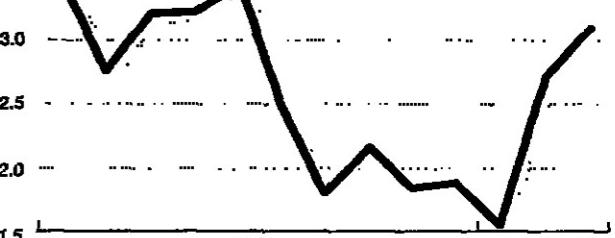
Housebuilders have also reported significant increases in net reservations - agreed sales on which a deposit has been paid less any cancellations. A survey of 15 of the country's largest builders conducted by the Housebuilders Federation showed that net reservations rose by a third

during the first 15 weeks of this year compared with the corresponding period in 1992.

The biggest rise in sales has been to first-time buyers. Recently there have been signs that sales of houses in the medium-price bracket have also started to improve, said Mr Joe Dwyer, chief executive of Wimpey, the housebuilder. He said: "We are pleased with progress but the improvement is from a very low base and it is still too early to talk of a sustained recovery. Nonetheless things are looking better."

## Building societies: home loans bounce back

Net new commitments (£bn)



Source: BSA

## Recovery in west remains fragile

By Roland Adburgham, Wales and West Correspondent

**THE HOUSING** market in south Wales and south-west England has stabilised but it is premature to talk of a firm recovery. Across the region, more interest is reported from buyers, but houses have to be at the right price to sell.

"Generally speaking there are more buyers around," said Mr Peter Mulcahy, principal partner of Peter Mulcahy, an independent chain of eight offices in south Wales. "Prices now are very realistically pitched, very much more related to what people earn, and allied to that are the low interest rates."

But Mr Carey Jones, director and general manager of Crown & Co, which has 16 offices in south Wales, warned: "What recovery there is very thin. We have better figures than in 1992 but not as good as 1991, which was a brilliant year by any stretch of the imagination."

Mr Justin James, associate partner of Stags, an independent group of seven offices in Devon and Somerset, said: "The recovery is sporadic, although in the cheaper price bracket there is more movement, reflecting the cheaper cost of borrowing. Pricing is absolutely crucial and if something is overpriced it becomes obvious very quickly." Job security, he said, was a more important factor now than interest rates.

Other estate agents confirm that the revival in the housing market is mostly confined

## 'Greedy' property sellers

By Chris Tighe in Newcastle

**NORTH-EAST** England's estate agents are strikingly cautious about the apparent recovery in the housing market even though they are delighted at the increased sales activity of recent months.

Mr Stan Morville, managing director of Doherty Waller, which has eight branches in Teesside and south Durham, is refusing to accept instructions from would-be sellers who

insist on an above-valuation asking price.

Mr Sam Smith, a Newcastle-based associate of Keith Pattinson, which has 33 branches in the region, talks with dismay of clients who want to increase the price of their unsold homes.

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday April 24 1993

# Prelude to recovery

**THE PRIME** minister's troubles are not over, not by any means, but the worst may be behind him. The outlook for John Major this spring is less gloomy than at any time since Black Wednesday. He may not regain all of his previous authority for a while, perhaps never, but his chances of survival are high. The evidence that he is out of the woods, or nearly so, is mounting.

The UK economy is recovering. Mr Major cannot honestly claim the full credit for this. He opposed – indeed condemned out of hand – the policy change that made recovery possible. He failed to understand why it was impossible under the policy he did prefer. But he did have the wit to seize the opportunity given by sterling's abrupt and expensive exit from the ERM last September.

If the prime minister was not particularly wise, he has at least proved to be lucky. Monetary easing has been so sharp that some sort of recovery was inevitable. Today the signs are everywhere: in the housing market, in retail sales, in industrial output and even in unemployment. The upturn may well prove steeper than was supposed by most forecasters, including the Treasury, earlier this year.

Luck cannot be relied upon, however, especially where British economic recoveries are concerned. Too many have ended in the same painful way, with excess consumption, balance of payments crises and rising inflation. The danger facing Mr Major is not that there will be no return to growth, but that it will not last.

### Export-led growth

The British economy has the lowest underlying rate of inflation for close to a generation. But it also has close to the largest ever fiscal deficit in peacetime and a substantial current account deficit at the end of a deep recession. The government needs fast growth to provide a painless cure for the fiscal deficit, while such growth would exacerbate the external deficit. The way out must be export-led growth. But export-led growth means growth without soaring real wages. It means resisting excessive appreciation of sterling, if necessary by cutting interest rates again. It means closing the fiscal deficit aggressively. Above all, it means that this recovery must not end in a spurt of wage inflation. Does Mr Major have the mettle to achieve all this?

On past form the answer is, once again, mixed. The bill to ratify the Maastricht treaty is past the most difficult portion of its passage through parliament. It may yet suffer a reverse, but that looks unlikely. This is a tribute to the prime minister's persistence.

A long drawn-out and debilitating episode that threatened to split the Conservative party is drawing to a successful close. It may not have been magnificently managed, but it has been managed. To mark the moment, Mr Major has embarked on a series of speeches that promote the positive aspects of Britain's membership of the European Community. Little that he has said is likely to play well on the Continent, but the endeavour may contribute to an aura of resurgent leadership at home.

### Challenges ahead

The pits closure episode is another case in point. The initial announcement that 31 coal mines were to be shut down at once was an error of judgment, for which Mr Major as well as the industry secretary, Mr Michael Heseltine, was rightly blamed. During the ensuing months it looked as if this might result in a wholesale retreat. In the event the government has saved most of its original strategy, albeit at a high cost in temporary subsidies. A trial of a similar nature is now about to be endured by Mr John Patten, the education secretary, as he wrestles with teachers who threaten to boycott tests of their pupils' performance under the national curriculum.

Other possible setbacks lie ahead. Liberal Democrats are the current favourites to capture Newbury from the government in the forthcoming by-election. That would further shave the government's already unreliable majority in the Commons. If the Danes surprise everyone by voting No to Maastricht in the referendum on May 16 the UK cabinet is likely to be divided about what to do next. Meanwhile the government's agonising over Bosnia, while understandable, does not enhance its reputation. As to later in the year, the government is already in retreat from privatising the Post Office and equalising the pension age; rail privatisation may prove to be what one of its critics has called "poll tax on wheels."

If the prime minister is to restore confidence in his ability to take difficult decisions he must first end the present uncertainty about who, if anyone, is to be reshuffled in his cabinet. Ministerial nervousness is contributing to a stultifying of the government's will to act. Mr Major has demonstrated his loyalty to his chancellor for long enough. The employment secretary has not been a success; the secretary for social security is not grasping any nettle. The foreign secretary should be kept in post as long as possible. Some cabinet ministers should go; some should be moved to new posts. A strong, reconstituted, and credible team is sorely needed.

Thursday's press conference shows the quick-footedness is still intact. But, as irritation grows with Mr Attali's conduct among important EBRD shareholder governments, the friends are becoming a great deal thinner on the ground.

Described by his friends as a polymath visionary, by his adversaries as a jealous gaffy who plagiarises other people's ideas, Mr Attali attracts a welter of emotions. "Jacques is a genius," one European ambassador said yesterday. He then described his government's annoyance about the bank's high spending at a time of recession in east and west. "All that marble and glitter is the wrong signal," he said.

Indicating the problems sometimes touched off by Mr Attali's high-handedness, the diplomat added that he and others had been irritated by being kept waiting by Mr Attali at the ceremony inaugurating the bank's expensive new headquarters last month.

One important EBRD director, who in the past has strongly defended Mr Attali, pointedly said yesterday that Mr Attali lacked the "experience of running international and national bureaucracies" to do his job properly.

Mr Attali, of febrile energy and bubbling mind, is a complex personality caught in a maze of contradictions. "He is a man of intelligence, culture and general aptitude," Mr Pierre Mauroy, President Mitterrand's first Socialist prime minister, said yesterday. "But he's more of a theoretician than a practical man."

"He's a man who provides ideas, but the problem is putting them into effect," said Mr Horst Teltschik, the former foreign policy adviser to Chancellor Helmut Kohl, who developed a good working relationship with Mr Attali during the 1980s – including during the helter-skelter negotiations on German reunification.

Mr Teltschik, now a board member at BMW, the Munich-based car company, recalls Mr Attali's proposals for the Group of Seven industrial countries to aid Bangladesh with a massive irrigation project. The proposals founders on the complexities of rechanneling the country's rivers on the borders.

Mr Attali's capabilities as a writer

**T**he rush to judgment is now a permanent sprint. Bill Clinton's presidency was pronounced irreversibly dead – and alive – even before he assumed office, in its first days and round the clock, on the half hour, ever since. This has been more than usually evident this week, with 86 dead in the ashes of a religious fanatic's fortress in Texas, a jobs bill killed by 43 obdurate Republican senators and with a nation now conditioned to demand to know who was at fault.

But a presidency – as well as the political and national contexts in which it operates – is a permanent work in progress. Hindsight can always identify watersheds – Jimmy Carter's "malaise" speech in the summer of 1979 and George Bush's approval of the 1990 budget act increasing taxes can now be said to have definitively marked the beginning of the end of their presidencies. But Mr Clinton's first 100 days, a mere one-fifteenth of his first term and one-thirtieth of what he might serve, are only up next week. Had he promised a rose garden, he would by now only have been able to deliver a few buds.

But even these demonstrate the enormous gulf between Mr Clinton and his predecessor, above all domestically. Mr Bush thought everything could be set to rights by a balanced budget amendment, the line item veto and a conservative Supreme Court, of which he had only the latter and then not consistently. It is, on the other hand, hard to imagine a problem, no matter how small, to which Mr Clinton could not come up with a programmed solution and even a means, probably a tax, to pay for it. And he will get the chance substantially to reshape the nation's highest court.

Government, in the Clinton doctrine, can make a difference. It may, as he frequently says, have to "get by on less", and its pockets, even in the great cause of aiding Russian reform, may not be too deep. But this does not invalidate its mission to lead by example and, where necessary, to intervene.

Thus, the first 100 days have been phenomenally busy. The single greatest achievement has been the passage by Congress of the broad outlines of the plan to cut the budget deficit substantially over the next five years. The truly hard parts – enacting specific tax increases and cutting spending programme by programme – still lie ahead, but the fact remains that for the first time since 1986 a president has proposed a budget that is not automatically "dead on arrival" on the steps of the Capitol. It is even possible that Congress will improve on it and cut spending even more.

But this has not been all. Also at home, Mr Clinton, under his wife's direction, has got stuck into the momentous issue of healthcare reform, with serious proposals due perhaps next month. He struck down Republican restrictions on abortion and in the labour market, obtained a family leave bill, committed himself to ending the ban on homosexuals serving in the military, instituted easier bank lending to small businesses, inserted the government into technological research and development, set up a civilian national service corps, mediated in the trees-versus-spotted owls dispute, promised to sign the international bio-diversity treaty, and more besides.

Nor has he yet found cruising speed with another important Washington institution with the power to wound – big media. The fact that he has held only two formal presidential press conferences so far puzzles many because Mr Clinton is so articulate when thinking on his feet, so much the stimulating contrast to the men who went before him. Press relations with George Stephanopoulos, the smart and influential communications director, are frequently fractious, while lesser White House lights, schooled by last year's electronically sophisticated election campaign, point out with scorn that it is now technologically easier than

In his first 100 days in office, Clinton has seemed determined to prove government can make a difference, says Jurek Martin

# President's work in progress

at itself and what it thinks it can do for itself. It is an agenda as ambitious as the ideological Reagan revolution it is intended to reverse. All it lacks is the single-minded focus of the first Reagan term opposition to which was made in any case almost impotent by the president's own brush with an assassin's bullet.

There have been setbacks, the most telling of which was this week's defeat of the jobs bill at the hands of a Congress run by Democrats. This was not supposed to happen in the first flush of Clinton's presidency and so soon after the great budget victory. The package may be dismissed as economically insignificant – at \$15bn it is one-tenth of the size that just proposed by Japan – but its demise in its proposed form serves as a potent reminder to the new president that working on Congress is a full-time occupation.

Successful presidents instill a mixture of fear and respect into Congress. So far Mr Clinton has earned respect for his marketing abilities but has not generated fear. He was unable to scare off the Republican filibuster, itself a remarkable display of solidarity by a party in search of a role and nervous of being blamed for yet more gridlock. Somehow the White House has to learn to overcome its understandable dislike of Republicans such as Senator Phil Gramm of Texas, a man with the voice of a dentist's drill and a personality to match, and come to terms with the crafty minority leader, Senator Bob Dole, so adept at making trouble if not cowed or cowed. As a very practical politician, Mr Clinton should know about compromise.

Not that the Democrats are necessarily much easier, especially the new, independent-minded freshman class. Of the barons, Mr Clinton already has his hands full with the resentful Sam Nunn of Georgia on the gay question. Even George Mitchell, the faithful majority leader, Pat Moynihan, the finance committee, and Dan Rostenkowski, powerful chairman of the House ways and means committee, have started muttering disapproval about value-added taxes and investment credits.

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ever to bypass the Washington media establishment to get targeted messages across, which is exactly what Mr Clinton does all the time.

Indeed Mr Clinton is still playing pretty well in the heartland through his public speeches and other appearances, which repeatedly display his extraordinary ability to explain the complex in comprehensible and sometimes moving terms.

**H**e is also making some serious friends at the state and local government levels, not simply by loosening the federal purse strings but by actively encouraging the sort of policy innovation that he feels appropriate for all forms of government. This should be no surprise, given his record in Arkansas and his recruitment to his cabinet of several members known for their state, not federal, experience.

But going over the head of Washington, where much policy and even

more comment is muted, is risky, and in the capital his administration has already been stretched painfully thin. At the last count he had nominated barely a third of the approximately 3,500 senior political appointments in his fief and many of these had still not been confirmed in office, a handful because of the typically mischievous dealing tactics of Senator Jesse Helms, the conservative curmudgeon.

But the real reason why this administration is barely formed is the determination of the White House (not the cabinet secretaries themselves) to follow the president's instructions and form a government that "looks like America" in its ethnic, gender and geographic diversity, all minus skeletons such as illegal names in their closets.

The net result has been much resentment, some ridicule and, worse, the occasional acute embarrassment. Whole departments, most obviously Justice, have been mostly run by brand new cabinet officers

assisted by Republican hold-overs, unaccountable political advisers and career civil servants without clout. This week's denouement in Waco found Janet Reno, the attorney-general fresh out of Miami and in office for barely a month, very short of institutional help; apart from a beleaguered FBI director assumed to be on the way out. She was admired for immediately taking full responsibility. Mr Clinton rather less so for waiting a day to say the buck stopped on his desk.

From the outset it was clear that Mr Clinton, though comfortable in a collegial environment, intended to take most of the big decisions himself. He was involved, endlessly, in the nitty-gritty of the deficit reduction plan, is becoming more immersed in healthcare and will take nobody's recommendation on trust for the vacant Supreme Court nomination, especially after two botched attempts to find an attorney-general. Cynics point out that the last president to try and do everything himself was Jimmy Carter.

Foreign policy clearly interests Mr Clinton, as it does every president, and his maiden voyage to it to Vancouver with Boris Yeltsin, showed him at his subtle best, artfully disguising that the Russian president was the supplicant by apologising for submarine collisions and old but extant US anti-Soviet trade laws. His speech before the summit, explaining why aid to Russia was in the US vital interest, was among his most thoughtful.

**B**ut, mostly, the unwavering Clinton's external message is that US national security in the post-cold war era must increasingly have a predominant economic component, and his own involvement appears all the greater when this element is to the fore – in developing US competitiveness, pursuing more vigorous market-opening trade policies and assisting Russia. In contrast to Mr Bush he appears to take no particular comfort in the company of foreign statesmen, entertaining them either to businesslike lunches or, in the case of Kiichi Miyazawa, the Japanese prime minister, to a very pointed lecture on the way the world had changed.

With the additional current exception of Bosnia, Mr Clinton has chosen to leave most of the rest of routine foreign policy to his subordinates, under Warren Christopher, the very capable secretary of state, while the domestic agenda is being pursued. This neat division does not always work. The Vancouver summit and its Tokyo follow-up also preoccupied Lloyd Bentsen, the Treasury secretary, who knows more about twisting arms in Washington than anyone. There was no one of equivalent clout left behind to lobby for the jobs bill.

Mr Clinton seems perfectly comfortable in the presidency, relishing its challenges, and the nation more accustomed to him in it, even if it still harbours doubts about his character. The great question is whether this one-man band (and his formidable wife) can keep it up, especially if the domestic agenda, such as the budget and healthcare, gets shredded and if foreign affairs refuse to be neatly compartmentalised offshore. It could all end in tears, but for the moment, and for the next 100 days, too, there is going to be more going on, for better and for worse, in America and its capital than most other places, much of it because of Bill Clinton. That would not have been predicted under George Bush.

company Matheson. "Mrs Thatcher is not dissimilar – she can also sometimes trample over people's feelings," he said.

Sir Charles, who as the former British prime minister's private secretary from 1974 to 1981 forged ties with both Mr Attali and Mr Teltschik, says of Mr Attali: "I like him very much. He's very exhilarating, stimulating, infuriating, volatile and difficult to pin down."

Sir Charles highlights the cultural differences which allied to Mr Attali's impetuosity and lack of experience, have provided a principal cause of the EBRD furore.

Reflecting on Mr Attali's well-publicised liking for executive jet travel, Sir Charles says: "He's a free spirit – he loves that sort of thing." In bilateral Anglo-French negotiations, "I would trundle over to Paris in British Airways tourist class, while Jacques would arrive in a presidential jet in Northolt aero-drome."

The same clash of national styles,

### MAN IN THE NEWS: Jacques Attali

## Jumping flash Jacques

David Marsh on the complicated boss of the EBRD



of books and film scripts are legendary, while his speeches simmer with proposals for curbing the dangers facing the world. In view of the threat that eastern instability could spill westwards, he says a post-cold war "cultural change" in Europe is the west's best interest: "We need a consensus for action – to make people dream and be frightened by what could happen in the 21st century."

The contradictions surrounding Mr Attali focus on the nature of the bank's lending role in a difficult economic environment, as well as on the diverse expectations vested in it by its 56 shareholder governments. But, most of all, they concern the character of Mr Attali himself.

For long regarded as a power-broker who has used his closeness to Mr Mitterrand to further his own career, Mr Attali is starting to resemble a Machiavelli entangled in his own network of intrigue.

One of the more fascinating com-

plexities concerns his own country. One banker in Paris yesterday said Mr Attali – born 39 years ago in Algeria into a French Jewish commercial family – remains an outsider on the French banking scene. "People believe he has come on too fast, that he's not a real banker."

The French capital is abuzz with "conspiracy theories". The banker added, that the allegations of the EBRD's budgetary misdemeanours have been leaked by the British authorities. In view of the recent

Additional reporting by Peter Norman

says Sir Charles, has led to the acrimony over the lavish fitting out of the EBRD building. "Attali is a man for the glory of France... He's entrenched in the tradition of the Versailles summit, extravagant public works on the back of national prosperity. And now he's come to a place with a different tradition."

Mr Attali's elevation to the helm of the EBRD two years ago seemed to catch the international mood. By appearing to ignore the shift to a less forgiving economic climate, Mr Attali may find, however, that the spirit of the times is moving against him. Practicalities, rather than vision, seem likely in future to provide the EBRD's guiding force.

Additional reporting by Peter Norman



## COMPANY NEWS: UK

# Rewe buys 26% of Budgens

By Andrew Bolger  
and Neil Buckley

**Rewe**, one of Germany's largest food retailers, has bought a 26 per cent stake in Budgens, a small UK food retailing chain, in a move which could step up the European assault on the discount end of British retailing.

Rewe is a private company which operates 8,000 stores and has 15 per cent of the German food market. Budgens has 100 supermarkets, mainly in the south-east of England.

The German group paid £23.5m for the Budgens stake to BIL Securities, the New Zealand investment company founded by Sir Ron Brierley.

BIL and other institutional investors ousted Budgens' management in 1991 and installed a new German chief executive, Mr John von Spreckelsen. He has brought the struggling chain back to profit, but doubts have persisted about whether the group has a long-term future.

Mr Spreckelsen said he would "look forward to developing the opportunities that will inevitably arise from such a strong European connection". He said it was too early to say what Rewe intended, but they wanted to be support-

ive shareholders and there was obvious scope for joint sourcing.

The German company will put a representative on the Budgens board.

Rewe currently operates more than 1,400 discount grocery outlets called Penny-Markt, as well as supermarkets and hypermarkets. Several European discounters, attracted by the high profit margins available in UK food retailing, have opened stores in the last three years, making discounting the fastest-growing area of the UK food market.

Aldi, Germany's largest food discounter, opened its first stores in the UK in 1990, followed quickly by Netto of Denmark. They now have 63 and 45 stores respectively and have announced ambitious expansion plans.

Carrefour, the French retail giant, opened its first Ed discount store in Maidstone, Kent, in January, and there is speculation in the retail trade that other European groups such as Germany's Tengelmann, Lidl & Schwartz, and Norma, are investigating the UK market.

Rewe paid BIL 55p each for the stake of 12.75m shares, a significant premium to yesterday's opening price of 46p. Budgens shares closed 3p



John von Spreckelsen: looks forward to developing opportunities

higher at 49p. BIL paid an average of 32p per share, so it showed a paper profit of about £10m on its investment.

Mr von Spreckelsen, who introduced the New Zealand-based company to Rewe, said: "BIL has been a very support-

ive shareholder. Their support for the company, in particular during the restructuring phase in 1991, has been outstanding. This said, we are delighted with Rewe's agreement to purchase and welcome them as new partners."

The bank said it believed it was now adequately provided for its exposure in Russia, and believed that it would not need to raise the issue this year.

Some of the 25.41m total provisions on its balance sheet might be released.

Russia's state-owned Bank for Economic Affairs last year spent £147m and \$177m in hard currency on new preference shares to restore the bank's capital. Combined with the fall in asset values, this has maintained capital strength.

The bank's capital to risk-weighted asset ratio - a measure of capital strength - fell from 46 per cent to 33 per cent but remains well above the minimum of 8 per cent required by the Bank for International Settlements guidelines.

The new board, meanwhile, announced plans to embark on a detailed study of Etonbrook's business and in particular its relationship with Palmerston Investment Trust, which holds more than 1m preference shares.

Mr Moss said: "He also claimed the rebels had used delaying tactics during talks on a general offer so that the issue would not be resolved before yesterday's meeting, which was requisitioned last month.

Fighting the rebel action had cost the company up to £250,000 and prevented it from moving forward, he added.

Mr Perloff rejected the claims and blamed the delays on Etonbrook's failure to agree terms and a decision by the Take-over Panel not to allow a two stage takeover involving a partial offer at 75p followed by an offer for the rest at a price and time to be agreed.

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## Dissidents oust Etonbrook board

By Tim Burt

**REBEL** shareholders at Etonbrook Properties yesterday wrested control of the former BES company from the board, ousted the directors and pledged expansion with new capital.

The board's removal at an extraordinary meeting marked the climax of a bitter 10-month struggle and a victory for property dealer Mr Andrew Perloff, the rebel leader.

Shareholders with 51 per cent of the 2.9m voting shares backed nine resolutions dismissing the board and appointing the rebel leaders as directors.

Welcoming the result, Mr Perloff - who with his associates owns 29.9 per cent of Etonbrook - said he hoped to provide an "exit route" at 75p a share for investors wishing to sell.

## Fitch losses widen to £3.9m

A SHARP RISE in exceptional provisions left Fitch, a provider of design services, £3.88m in the red at the pre-tax level for the year to end-December, against £1.77m.

The exceptions amounted to £2.43m (£1.8m) and related to redundancies, unoccupied properties, property revaluation and expenses connected with the financial restructure.

However, the directors said the benefits brought about by

the restructuring were both concrete and substantial. The balance sheet had been "significantly reshaped and strengthened".

A share suspension last year had affected the second half with turnover for the year falling by 12 per cent from £18.1m to £15.92m, of which £1.62 related discontinued activities.

Losses per share were 31.9p (9.4p) and again there is no dividend.

The outgoing board said the rebels had gained control "by the backdoor" and Mr Keith Moss, managing director, accused Mr Perloff of using the prospect of negotiating an agreed takeover to dilute opposition to his moves.

"We should have fought more aggressively. Shareholders were waiting for an agreed offer which wasn't forthcoming,"

## Reed Executive optimistic as losses are trimmed

By Catherine Milton

REED Executive, the employment agency, slightly reduced pre-tax losses to £7.38m in the year to December 27, compared with £7.89m in the corresponding period.

Reed, which changed its year end from March to December, said turnover dropped to £82.3m (£87.8m). The dividend was again passed and losses per share were reduced to 11.3p (12.9p).

The company made an exceptional provision of £3.91m (£1.61m), to cover surplus property costs associated with those vacated or sold, and

redundancies.

Reed had £633,000 worth of cash at the year end and no borrowings.

Mr Alex Reed, executive chairman, said: "The really good news is that since the beginning of this calendar year, losses have been reduced dramatically." Management accounts showed a loss of just £150,000 (£1.72m losses) for the first three months, with a small profit in March.

He said he would be "very disappointed" if the company failed to make a profit this year, although the first half would probably be near break-even.

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## NEWS DIGEST

### Linton £8m back in the black

LINTON PARK, the tea and coffee producer and importer and exporter, made a pre-tax profit of £7.65m in 1992, compared with a restated loss of £1.16m following the adoption of FRS 3 accounting standard.

Exceptional items in 1991 included £5.5m written off an investment in an associate in course of disposal previously classified as extraordinary less £2.07m minorities.

Operating profit this year rose from £6.43m to £9.06m on turnover of £123m continuing operations of £123m (£124.3m). There was a £500,000 profit on fixed asset investment.

Earnings were 31.8p (restated losses 17.3p). The final dividend is 11.5p for a 14p (13p) total. The ultimate holding company is Lawrie Group.

### Dragon Oil will have £36m value

Deals in Dragon Oil, formed through the takeover of Kirkland by Oliver Resources, are expected to begin next month in Dublin and London.

Dragon has conditionally agreed to raise £1m through a placing at 24p per share.

A maximum of a further £1m will be raised by an open offer to shareholders at 24p on the basis of one-for-seven shares held.

Based on the issue price,

Dragon will have a market capitalisation of £36m.

The bank reported a 15 per cent increase in operating profits to £12.3m. The loss before tax rose from £121m in 1991, while the post-tax loss increased from £119m to £136m. It did not pay a dividend.

Turnover, which includes the cost of advertising space

from £87.5m to £101.3m.

There was an extraordinary charge of £7.52m. Earnings slipped to 18.9p (20p) and the dividend is being held at 12.5p.

### Dragon Oil will have £36m value

Deals in Dragon Oil, formed through the takeover of Kirkland by Oliver Resources, are expected to begin next month in Dublin and London.

Dragon has conditionally agreed to raise £1m through a placing at 24p per share.

A maximum of a further £1m will be raised by an open offer to shareholders at 24p on the basis of one-for-seven shares held.

Based on the issue price,

Dragon will have a market capitalisation of £36m.

The bank reported a 15 per cent increase in operating profits to £12.3m. The loss before tax rose from £121m in 1991, while the post-tax loss increased from £119m to £136m. It did not pay a dividend.

Turnover, which includes the cost of advertising space

### Pressure on margins affects Air London

Air London International, the US-quoted air charter broker, blamed the continuing downturn in activity and increased pressure on margins for a decline in profits in the six months to January 31.

On turnover down from

£7.2m to £6.85m the pre-tax result fell to £411,000 against £671,000.

Earnings emerged at 3.17p (3.03p) and the interim dividend is held at 1.5p.

Pre-tax profit for the opening half reached £202,000, against £158,000 in the preceding six months and £276,000 in the corresponding period of 1992.

Earnings per share came to 1.7p (2.4p) and the interim dividend is unchanged at 1.2p.

### Joseph Holt 11% higher at £7m

Joseph Holt, the Manchester-based brewer, continued its growth in 1992 with turnover rising 14 per cent and pre-tax profit increasing 10.5 per cent.

Turnover came to £25.7m (£22.5m) and profit to £7.04m (£6.37m).

Earnings per share worked

through at 154.49p (136.99p) and the dividend is stepped up to 4.1p (3.5p) with a final of 3.1p.

Turnover improved slightly,

## LONDON RECENT ISSUES

### EQUITIES

Issue Price	Am't Paid up	Latest Dividend Date	1992	Stock	Closing Price	%	Net Div.	Times Div'd	Gross Yield	P/E Ratio
1.6	2.2	June 9	2.2	2.2	2.2	-	0.05	1.0	0.05	3.5
1.07	1.07	July 7	1.04	1.04	1.04	-	0.05	1.0	0.05	4.19
0.25	0.25	June 11	0.25	0.25	0.25	-	0.01	0.5	0.01	0.89
0.61	0.61	July 27	0.7	0.7	0.7	-	0.01	1.0	0.01	2.8
0.55	0.55	July 1	0.525	0.525	0.525	-	0.01	1.0	0.01	2.8
31	31	June 18	26	41	35	-	0.05	1.0	0.05	3.5
1.275	1.275	June 9	1.275	1.275	1.275	-	0.01	1.0	0.01	5.1
4.5	30	June 30	3	7.5	7.5	-	0.05	1.0	0.05	5.5
11.5	11.5	July 20	10.5	14	13	-	0.05	1.0	0.05	7.5
5.5	5.5	July 2	5.5	7.5	7.5	-	0.05	1.0	0.05	7.5
0.24	0.24	July 1	0.2	-	0.4	-	0.01	1.0	0.01	2.0
1.2	1.2	June 1	1.2	3.4	3.4	-	0.05	1.0	0.05	3.4

Dividends shown per share net except where otherwise stated. 1 On increased capital. 2 USM stock. 3 Second interim. 4 Irish pence.

### FIXED INTEREST STOCKS

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## INTERNATIONAL COMPANIES AND FINANCE

# IBM spins off unit with Zschau as its chairman

By Louise Kehoe  
In San Francisco

**INTERNATIONAL** Business Machines has spun off Adstar, its data storage business unit, and appointed Mr Ed Zschau, a Silicon Valley entrepreneur and politician as chairman and chief executive.

Mr Zschau is a former Republican Congressman and founder of System Industries, a data storage systems company. He will oversee Adstar's business strategy and financial performance. He has been made an IBM vice-president.

The move represents a step forward in IBM's plans to transform itself into a federation of independent business units. It could presage a public offering of Adstar stock or sale of an equity interest in the company to another party.

Adstar is one of IBM's most important business units, with 1992 sales of \$6.1bn and net earnings before restructuring charges, of \$247m. At the end of 1992, it employed almost 16,000 people at plants in the US, Europe and Asia.

As a stand-alone business it is the largest manufacturer of data storage products in the world.

This is IBM's first restructuring decision since the arrival of Mr Louis Gerstner, who took up his post as IBM chair-



Louis Gerstner: first restructuring decision

man and chief executive on April 1.

The appointment of an outsider to head an IBM business unit is unprecedented. It suggests that Mr Gerstner himself, the first non-IBM executive to be elected chairman, may be looking outside IBM to fill leading posts.

Mr Zschau said that his goal at Adstar would be to "revolutionise the information storage industry and achieve exceptional commercial success."

"With entrepreneurial spirit, we'll create new products and new markets and move faster to leverage Adstar's unique resources."

## Exxon earnings flat in first three months

By Karen Zagor in New York

**EXXON**, the world's biggest integrated oil company, yesterday posted essentially flat underlying earnings for the first three months of 1993.

Net income in the latest quarter was \$1.19bn, or 94 cents a share, including a one-time gain of \$47m from asset sales and tax credits outside the US. A year earlier, Exxon had net earnings of \$1.3bn, or \$1.63, including non-recurring gains of \$158m.

Revenues fell 2.3 per cent to \$27.26bn from \$27.91bn in the first three months of 1992.

Mr Lawrence Rawl, Exxon's outgoing chairman, said the company's reduced operating expenses helped stanch earnings erosion in the quarter in spite of sluggish economic conditions in Exxon's leading markets.

On Wall Street, shares in Exxon slipped \$3/4 to \$65 1/4

at mid-session yesterday.

During the first three months of 1993, Exxon benefited from higher crude oil prices and higher sales of chemical products. On the other hand, petroleum product and chemical margins were weak in the quarter.

Earnings from domestic exploration and production operations rose to \$228m in the quarter from \$125m a year earlier. Underlying earnings from non-US exploration and production operations were \$648m against \$659m last year.

Profits from refining and marketing operations in the US eased to \$21m from \$23m a year ago. Outside the US, refining and marketing operations brought in earnings of \$27m against \$339m a year ago, excluding one-time gains of \$15m in 1992.

Exxon's chemical operations had income of \$123m compared with \$151m the previous year.

## Executives at Amag resign after heavy losses

By Ian Rodger in Zurich

**THE** chief executive and deputy chief executive of Austria Metall (Amag), the troubled Austrian aluminium company, have resigned following the publication of heavy losses for 1992.

Amag, a subsidiary of Austrian Industries, the state-owned industrial holding company, lost Sch 5.5bn (\$478m) last year on turnover of Sch 16.1bn.

Operating losses were Sch 2.6bn and there were extraordinary charges of Sch 2.7bn arising from the closure of its sole remaining aluminium smelter in Austria. In 1991, Amag had a pre-tax loss of Sch 0.8bn.

The company said that operating losses were caused mainly by the collapse in world aluminium prices. No improvement in results was foreseen this year.

It said that Mr Peter Apfalter, the chief executive, and his deputy, Mr Hans Koopman, offered to resign following intense and unfair media criticism of their management.

Amag's losses weighed heavily on Austrian Industries. At this week reported a net loss of Sch 4.8bn for 1992 compared with a net profit of Sch 95m in the previous year. Its operating loss was Sch 2.6bn compared with a Sch 1.2bn profit.

Mr Michael Sekyra, chief executive, said he hoped Amag would make profits at the operating level this year, and he expected that government subsidies to cover Amag losses would stay within the three-year budget, to the end of this year, of Sch 9.1bn.

Mr Sekyra, who hoped to partly privatise Amag, has embarked on a new round of restructuring to have the group concentrate in steel and engineering. He expected a further Sch 0.5bn in restructuring costs.

According to FG, the Madrid securities firm, demand for Argentaria paper in the US, where 4m shares are being offered, is about 1.4m shares. In the UK, demand is for about 15m shares where 3.5m shares are being offered. Morgan Stanley International is acting as co-ordinator in the placement.

The US public offering of 8m American depository shares, representing the 4m common shares, is expected to start shortly after the May 5 close of the subscription period for domestic retail investors.

CHINA LIGHT, controlled by the Kadoorie family, yesterday announced net profits of HK\$1.73bn (US\$225m) for the six months to March 1993, an 11 per cent increase, writes Simon Davies in Hong Kong.

Domestic sales of electricity increased by 3.1 per cent, but sales to China increased 53 per cent, which helped to lift turnover by 14 per cent to HK\$6.36bn.

## Japan banks weakened by appraisal losses on shares

By Robert Thomson in Tokyo

**JAPAN'S** leading banks yesterday announced large appraisal losses on their securities portfolios as the effects of the weakness of the stock market continued to echo through the financial system.

The losses, including Y39.7bn (\$358m) at Mitsubishi Bank and Y45.6bn at Sanwa Bank,

and calculated at the close of the financial year last month,

would have been higher but for a rise in Tokyo stock prices following the government's decision to pump extra pension and postal funds into the stock market.

Several banks announced downward revisions of their forecast profits. The results, to be formally announced next month, will reflect the stock appraisal losses, as well as the increasing burden of provisions and write-offs of non-performing loans.

Daiwa Bank indicated that pre-tax profits would fall about 10 per cent from the forecast Y46bn, while Nippon Credit Bank, a long-term credit bank, said profit was likely to have fallen 60 per cent over the year to Y2bn, down from a previous

forecast of Y37bn. Mitsubishi Bank said its profits "will show some decrease".

Other banks to record large appraisal losses for the period were the Long-Term Credit Bank of Japan with Y38.5bn; the Bank of Tokyo, Y36.5bn; the Industrial Bank of Japan, Y36.3bn; and Sakura Bank, Y35.2bn.

The finance ministry expected banks to write down their portfolios every six months, although the rule was waived for the Bank of Tokyo and the leading trust banks last September, when stock prices were particularly weak.

Mitsui Trust and Banking,

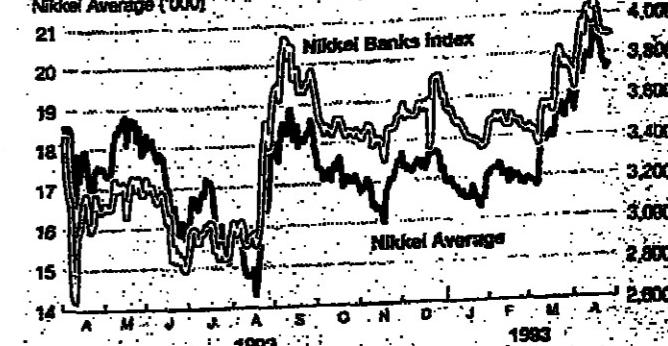
and Yasuda Trust and Banking have yet to announce their losses, while Toyo Trust and Banking reported a Y22.8bn write-down, Sumitomo Trust and Banking, Y13.6bn; Chuo Trust and Banking, Y14.3bn; and Mitsubishi Trust and Banking, Y10.5bn.

Japanese banks are fortunate that the decline in interest rates over the year has lifted their operating profits, but rates are close to bottoming and the banks will be under increasing pressure this year if share prices resume their fall.

The 21 leading banks are expected to announce that non-

### Japan

Nikkei Average (1,000)



Source: Datamonitor

which interest rates have been cut to almost zero in an attempt to support a troubled company.

Unofficially, Japanese banks' bad loans are estimated at Y30,000bn, but they are being discouraged from large-scale write-offs by a nervous finance ministry.

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## Sumitomo and Fuji Bank debt downgraded

By Charles Leadbeater in Tokyo

SUMITOMO Bank and Fuji Bank, two of Japan's top commercial banks, yesterday reported their long-term debt downgraded by Moody's, the US credit rating agency, to take account of exposure to the troubled property sector.

Moody's said that both

banks, which were among the strongest in Japan, would take steps to reduce their bad debts and sell poor quality assets. It warned that their profits would be dampened for several years by bad debts.

The downgrades confirm that in spite of action by commercial banks to reduce their non-performing loans the banks will be dealing with

their bad debts for some time. In the past year, Moody's has downgraded the long-term debt of 10 of the 17 top Japanese banks that it rates. The banks with the best rating are DKB, Mitsubishi Bank, Sanwa Bank and the Bank of Tokyo, which all have Aa3 rating.

Moody's lowered Sumitomo Bank's senior debt rating as well as its rating for long-term

deposits, from Aa2 to A1. The long-term ratings of the bank's guaranteed international subsidiaries were lowered to A1 from Aa3.

Fuji Bank's long-term debt and deposits were downgraded to A1 from Aa3. Moody's said it was due to Fuji's exposure to the non-bank sector as well as construction and property lending which had soured.

## First dividend cut at Nomura since 1975

By Robert Thomson

**NOMURA** Securities, the leading Japanese securities house, plans to cut its annual dividend to Y10 from Y15 a year earlier. It is the first reduction since 1975 and a sign of the pressure on the broking industry.

The dividend announcement follows a forecast that the broker would report a pre-tax profit of zero for the year ending last month on revenue of Y345bn (\$3.1bn), down from Y421bn in the previous year.

Yamaichi Securities, another member of Japan's Big Four brokers, said that its annual dividend would be cut from Y5 to Y2.5. The other two, Daiwa Securities and Nikko Securities, have yet to make a dividend announcement.

None of the four is expecting a pre-tax profit for the year just ended and only Nomura is expecting a slim Y2bn net profit. Nomura announced that unrealised losses on securities holdings in March were Y12.1bn, less than the expected Y16bn.

Japanese brokers were badly bruised by the generally weak turnover and prices on the Tokyo market last year.

## Argentaria prices offering at Pta3,800

By Andrew Baxter

**ARGENTARIA**, the state-owned Spanish banking corporation which is being partially privatised, yesterday priced its Pta3,800 (\$32.15) a share. The pricing, at the upper end of the Pta3,500 to Pta3,950 range announced three weeks ago, reflected a strong demand.

More than 450,000 domestic retailers have registered their interest in acquiring Argentaria shares, a number that is in excess of double the number of total shareholders that the bank expected when it said it was putting 25 per cent of its equity on the market.

According to FG, the Madrid securities firm, demand for Argentaria paper in the US, where 4m shares are being offered, is about 1.4m shares. In the UK, demand is for about 15m shares where 3.5m shares are being offered. Morgan Stanley International is acting as co-ordinator in the placement.

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## Sulzer, Ebara seek pumps deal

By Tom Burns in Madrid

**SULZER**, the Swiss engineering group, is continuing discussions with Ebara of Japan on a potentially important joint venture in pumps – more than a year after the two began co-operation talks.

Sulzer is one of Europe's largest producer of pumps, and Ebara is the dominant Japanese producer. A deal would represent a further step in the rationalisation and globalisation of the world pump industry.

Other big players include Weir of the UK, KSB of Germany and the Ingersoll-Dresser Pump joint venture in the US.

Dr Fritz Fahrni, Sulzer president and chief executive, said that he hoped a deal could have been concluded by the end of last year.

He would not say why the talks were dragging on, or what form any co-operation would take. It appears that a global combination of the two pump businesses has not been ruled out.

Sulzer has pump factories at Leeds in England, Portland in Oregon, and in Germany, France, Mexico and South Africa. Profits for the pump division, part of the Sulzer Escher Wyss group of businesses, are not disclosed, but improved significantly last year. One reason

has been a strong turnaround to profitability at the Leeds plant, which employs 450 people and cost £1.3m (\$2m) in 1990.

Dr Fahrni believes there is still room for further improvement in the pump division's profits, which could be aided by a tie-up with Ebara.

He disclosed that Sulzer was to retain and develop its Thermotec valves and control systems division for at least two years, following the collapse of February of its sale to IMI, the British industrial group.

The business was not core, he said, but could be damaged by any immediate attempt to find a new purchaser.

**SOUTHAM** halved loss to C\$7.2m

By Robert Gibbons in Montreal

**SOUTHAM**, Canada's biggest newspaper group in which Mr Conrad Black's Hollinger is a substantial shareholder, has halved its first-quarter loss and dropped plans for a rights offer to raise C\$35m (US\$36.5m).

The quarter showed a loss of C\$7.2m, or 11 cents a share, down from C\$15.5m, or 26 cents, a year earlier. Revenues totalled C\$27.3m against C\$27.4m.

Coles, the company's bookstore arm, lost C\$2m against a

loss of C\$6.8m in spite of a 10 per cent increase in revenues to C\$43.4m.

Southam says that because of the private placement it no longer needs to proceed with the rights offer. It expects to post a profit for 1993.

Hollinger has 18.8 per cent of Southam. It is in the throes of selling half this stake for C\$2.3m (US\$11.34m) to The Telegraph UK newspaper which is 68 per cent owned by Hollinger.



## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 4.30 pm on Thursday and settled through the Stock Exchange Talienscan system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ♦ Bargains done the previous day.

### British Funds, etc.

No. of bargains included 2026

Treasury 15% Stk 2000/03 - £131k

131%

Electroheat 10% Stk 2002/03 - £117k

Global Export Finance Corp PLC

11% Nt Old Stk 1994 (Br E163k 4.01)

12% Nt Old Stk 2002/Regd - £128k

## LONDON STOCK EXCHANGE

## Footsie mauled in global market slide

By Steve Thompson

A CONCERTED attack on European bond and equity markets, following hard on the heels of the late slide on Wall Street on Thursday, triggered a sharp sell off in leading UK shares and led to a turbulent session in gilt.

The sustained weakness in the FTSE 100 index, plus the pressure on gilts, was all the more surprising following additional evidence that the UK's economic recovery is gathering speed.

But the day's heaviest losses in London equities were concentrated in the top 100 shares following substantial pressure from activity in the Footsie future. The Footsie 100 ended a hectic session 37.3 down at

2,843.8, wiping out most of the strong gains recorded earlier in the session.

London's second-line stocks, on the other hand, encountered very little selling and the FTSE Mid 250 index, which outperformed the 100 index for much of the week, settled a net 0.5 higher at 3,136.2.

Strong rumours circulating in London shortly before the close that a bid for United Biscuits will be revealed on Mon-

Account	Dealing Dates
First Dealings:	Mar 29 Apr 19 May 10
Options Expirations:	Mar 29 May 6 May 20
Last Dealings:	Apr 18 May 7 May 21
Account Day:	Apr 18 May 17 Jun 1
Market close dealing date:	2,843.8 2,843.8 2,843.8

Source: FT Quoteline. Market close dealing date refers to business days earlier.

day failed to produce much of a rally in leading stocks. However Biscuits shares surged in the final half-hour's trading.

Wall Street's weakness late on Thursday was said to have been caused by a flurry of selling in US futures. London's 100 index opened almost 10 points off, as the future quickly retreated to a discount to fair value and remained under pressure all day, in company with other European markets. Dealers said the London market absorbed much of the selling in the future and the cash market but backed off when Wall Street opened yesterday under renewed pressure following disappointing durable goods figures for March. The general pressure was said to have been applied by one of

Russian referendum on Sunday; "If Yeltsin loses, the feeling is that there will be a lot more downside than upside in European markets," said a leading trader at one of the UK integrated securities houses.

Gilts traded erratically, and generally closed around the day's lowest levels, despite renewed strength in sterling.

The latter gained ground after the latest encouraging economic news, which included the well-received sales figure for March.

Over the week, the Footsie 100 rose 29.4, or 0.7 per cent, while the FTSE Mid 250 was up 53.4, or 1.7 per cent.

Equity turnover was 701.2m shares, although this was boosted by some 88m Millwall "new" shares.

## Hanson bid talk lifts UB

A RAPID 25-point turnaround in the share price of United Biscuits ignited renewed take-over speculation, with conglomerate Hanson emerging as the favourite potential predator. Others mentioned included Cadbury-Schweppes and US outfitts Philip Morris and Campbell Soups. But it was the acquisitive Hanson that sparked most dealers' interests, although food manufacturing specialists remained sceptical.

Before the rumours, UB shares had spent most of the session drifting back with the market, the shares settling 9 off around 3pm. However, as the takeover talk gained currency the shares spurted forward, putting on 25 points in just half an hour. Market-makers said excitement was further generated by much of the business being transacted through the IDB network, the inter-dealer broker system which guarantees anonymity for both buyers and sellers and excludes brokers. Options activity was also reported. The shares closed 14 ahead at 389p in turnover of 2.4m.

Such was the strength of the rumour that some dealers were confidently predicting a Monday morning bid of 650p a share, valuing UB at over £2bn. The accompanying rights issue such a huge takeover would require satisfied the equation for the market that a major bid has been in the offing in recent weeks.

Earlier this week, Cadbury

shares were hit on rights issue fears as it talked to analysts about making acquisitions. However, food analysts derided a Cadbury bid, arguing that the confectionery group already had a firm strategy away from the stuck food business.

Hanson's name also brought scepticism, with specialists suggesting UB's asset value - which some put at under 200p - would mean a large premium for goodwill, not a noted Hanson speciality. The potential US bidders were largely discounted on finance raising grounds. Hanson shares declined 3% to 238p. Cadbury-Schweppes lost 3 to 479p.

## Dollar stocks down

A stronger pound hit big dollar-earning stocks. Having failed to benefit from Thursday's cut in the German dis-

count rate, the dollar was weakened by a 3.7 per cent fall in US durable goods orders. The pound was stronger in its own right and closed in London almost three cents higher against the US currency.

The currency shift prompted a sharp reversal in the recent strong performance by the oil majors. Shell Transport fell 14 to 565p and BP dropped 10% to 289.4p. However, the pharmaceuticals sector, which had seen the timid return of some US buyers, suffered most heavily. Glaxo was the hardest hit stock in the FTSE 100 index of leading companies with the shares falling 27 to 575p. Wellcome shed 24 to 736p and SmithKline Beecham crumbled 15 to 449p in the 'A's. With one foot in the drugs sector ahead of the impending demerger of its bioscience arm, ICI lost 31.125p but still closed comfortably up on the week.

Next Thursday the group will announce first quarter results that are expected to come in around £100m, down from the same period last year but better than earlier forecasts.

**Barclays sought**

An argument that the bank most badly hit by the recession should be the one to gain most effectively from economic recovery prompted one securities house to repeat its enthusiasm for Barclays in spite of a recent strong run.

Kleinwort Benson reiterated its buy stance on the stock and added a 1985 profit forecast of £1.8bn to its existing 1993 estimate of 290m and its 1994 figure of £1.1bn. There was also some catching up with stablemate NatWest, which outperformed Barclays earlier in the week following a recommendation from Morgan Stanley.

Barclays shares rose 7 to 449p on turnover of 7.8m while profit-takers took NatWest down 4% to 468p.

However, Bass, off 6 to 549p, was hurt by presentations made by Courage. The Australian-owned brewer has been reiterating its threat to defend market share in the UK.

BZW was recommending Shoprite after a recent visit

to the overall weak market.

Most analysts argued that the 200p-a-share agreed bid, valuing Thames at £29m, would boost Pearson's earnings and be a good fit for its increasing exposure to media and leisure. The £25m cash which makes up part of the assets, and to which most analysts were unaware of until Thames' results were published earlier this week, pleased media observers.

Nevertheless, there was some caution over the synergy. Ms Louise Barton of Henderson Crosthwaite said: "The quality of earnings from production companies is pretty low." Pearson shares closed a net 10 higher at 295p while Thames jumped 20 to 185p.

A large programme trade was said to have left market-makers scrambling for stock in Allied Lyons and Whitbread. The shares were squeezed up 5 to 580p and 11 to 471p respectively. Whitbread also benefited from domestic recovery.

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## NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (1) FTSE 100 INDEX (2) FTSE MID 250 INDEX (3) FTSE All-Share INDEX (4) FTSE SmallCap INDEX (5) FTSE SmallCap ex Inv Trust (6) FTSE All-SHARE INDEX (7) FTSE 100 (8) FTSE Mid 250 (9) FTSE All-Share (10) FTSE SmallCap (11) FTSE SmallCap ex Inv Trust (12) FTSE 350 Industry Baskets (13) FTSE Actuaries 350 Industry Baskets (14) FTSE Actuaries Share Indices (15) FTSE Actuaries 350 Industry Baskets (16) FTSE Actuaries All-Share Index and FTSE SmallCap Index (17) FTSE Actuaries All-Share Index and FTSE SmallCap Index (18) FTSE Actuaries All-Share Index and FTSE SmallCap Index (19) FTSE Actuaries All-Share Index and FTSE SmallCap Index (20) FTSE Actuaries All-Share Index and FTSE SmallCap Index (21) FTSE Actuaries All-Share Index and FTSE SmallCap Index (22) FTSE Actuaries All-Share Index and FTSE SmallCap Index (23) FTSE Actuaries All-Share Index and FTSE SmallCap Index (24) FTSE Actuaries All-Share Index and FTSE SmallCap Index (25) FTSE Actuaries All-Share Index and FTSE SmallCap 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- Current Unit Trust prices are available on FT Cityline. Call charges £1.47 per 45-minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 873 4322.

## **AUTHORISED UNIT TRUSTS**

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### **FT MANAGED FUNDS SERVICE**

• Current Unit Trust prices are available on FT Cityline. Calls charged at 30p per minute and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 873 4378.

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<b>Accounting &amp; Tax</b>																	
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EY Ireland																	
KPMG Ireland																	
BDO Ireland																	
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## WORLD STOCK MARKETS

US MARKETS  
(3 pm)

	Apr 22	US\$	+/-	Apr 23	US\$	+/-	Apr 22	US\$	+/-	Apr 23	US\$	+/-	Apr 22	US\$	+/-	Apr 23	US\$	+/-	Apr 22	US\$	+/-	Apr 23	US\$	+/-
AAP Corp	123	-1	-	DCC Comm	21%	+1%	Knight-Ridder	57	-1	Promed Co Inc	25%	-1	Submarines Airtex	1,200	-10	ASG	635	-10	Commerzbank	202.10	-10	Investor A	123	-3
AMF Inc	103	-1	-	DOE	34%	+1%	Kroger	157	-1	Prudential Inc	25%	-1	Westmoreland	57	-1	Accord	575	-10	ABDN	54.20	-10	Investor B	122	-3
AMF Corp	102	-1	-	Data Corp	34%	+1%	L	107	-1	Pub Serv E&G	23%	+1%	Worley	170	-1	Alcatel Alsthom	545	-10	Mo Och Doms B	120	-3			
ASA	43	+2	-	Data General	95%	+2%	Leucadia Ntl	10	-1	Worley Port B	240	+1	Atos	1,200	-10	Model B	13	+50	Model C	13	+50			
Abbott Lab	28	-1	-	Dayton Hudson	71%	-2%	Lucasfilm Ltd	115	-1	Waste Mgmt Inc	25%	-1	Bayer	1,200	-10	Procosa A	133	-10						
Advanced Micros	30	-1	-	Delaware Power & L.	25%	-1	Lucent Natl	10	-1	Wells Fargo	25%	-1	Bayerische	1,200	-10	SEB	153.20	-10						
Activa Life	10	-1	-	Dell Air Lines	57%	-1	Lucent Tel	115	-1	Wellmark Corp	25%	-1	Boehringer	1,200	-10	ADM	153.20	-10						
Activa Publ	32	-1	-	Detroit Edison	34%	-1	Lytle Cos	214	-1	Westinghouse	25%	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Activa	261	-1	-	Edgar Corp	34%	-1	Lytle Ind	10	-1	West N America	12	-1	Beiersdorf	975	-10	Amoco	153.20	-10						
Alhambra (Pf)	173	-1	-	Digital Equipment	12%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Al Prost & Chem	442	-1	-	Diamond (West)	40%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Albertson's	943	-1	-	Dixie Ind	40%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Albertson's	453	-1	-	Duke Power	32%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Alexander & Alex	248	-1	-	Dunrite (Holdings)	21%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Alex & Salomon	247	-1	-	Dover Corp	48%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Allied Signal	864	-1	-	Dow Chemical	36%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Aluminum Co of Am.	147	-1	-	DynCorp	12%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	378	-1	-	Eagle Ind	30%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Eastman Kodak	54%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Edwards Ind	24%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Electric	20%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Elec	20%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
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Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1	Westpac	12	-1	Bentley-Benz	975	-10	Amoco	153.20	-10						
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Amherst	374	-1	-	Emerson Corp	18%	+1%	Lytle Int'l	10	-1															

## WORLD STOCK MARKETS

## AMERICA

**Dow pressured by poor economic data**

## Wall Street

AFTER posting early losses on news of a big fall in durable goods orders, US share prices recovered some of their lost ground at mid-session, writes Patrick Harverson in New York.

At 1pm, the Dow Jones Industrial Average was down 12.16 at 3,417.01. The more broadly based Standard & Poor's 500 was down 1.41 at 438.05, while the Amex composite was 0.61 lower at 418.72, and the Nasdaq composite down 4.55 at 653.56. Trading volume on the NYSE was 156m shares by 1pm.

Prices opened lower, dropping more than 20 points in the first 90 minutes as sentiment was pressured by selling in the futures market and by bad economic news. The commerce department reported that durable goods orders fell 3.7 per cent in March. Even accounting for the impact on orders of the severe March winter storms, the decline the biggest in 15 months, was much bigger than expected. Analysts had forecast a drop of about 0.5 per cent. The disappointing durable goods figures followed a string of weak data (including retail sales, industrial produc-

tion and employment numbers) which suggest that the economy has been cooling off lately.

The markets were also undermined by trading activity in the stock index futures market. Traders pointed out that on Thursday S&P 500 futures closed at a discount to the price of the stocks underlying the index - a bad omen for the cash markets.

Prices bounced back from their lows, however, and by early afternoon the loss on the Dow had been trimmed to six digits.

American Express rose 5% to \$29 in volume of 1.6m shares

after the troubled financial services and travel group announced stronger than expected first quarter operating earnings of 75 cents a share. Investors were pleased by the improved performance of its credit card and investment banking operations.

Bank stocks, which have been riding high all year in anticipation of improved profitability, continue to suffer as investors took profits and expressed concern about the earnings outlook. Chemical fell 5% to \$384, Chase Manhattan eased 3% to \$22, Citicorp dropped 3% to \$27%, Banc One gave up 3% to \$34 and Bank-

America fell 1% to \$47%. Cyclical stocks were hit by the weak economic numbers. Minnesota Mining & Manufacturing fell 5% to \$1134, International Paper gave up 4% at \$653 and Goodyear Tire fell 3% to \$73.75.

TORONTO posted marginal gains at midday, led by a rise in the gold sector. The TSX-300 index rose 6.03 to 3,671.90 in volume of 3.2m shares, valued at C\$295m. Gainers led losers 287 to 251, with 213 issues unchanged.

## Canada

## EUROPE

**Spain rises on prospects for devaluation**

CENTRAL banks acted in concert to support the peseta, there were further interest rate cuts, particularly from France, and some investors began to worry about the outcome of Sunday's Russian referendum, writes Our Markets Staff.

MADRID was volatile in early trading but regained positive territory later in the session. The general index ended 1.33 higher at 247.03, a 3 per cent gain on the week, and a year's high, as turnover soared to nearly Pta30bn.

Mr Chris Cooper of James Capel observed that it was rather a question of when, rather than if, the peseta was devalued, although the Socialist government had been clinging to a desire to hold off until after the June 6 elections.

Mr James Cornish of NatWest Securities expects interest rates to come down swiftly after devaluation and has over-weighted the market accordingly.

In the market there was considerable activity in exporters with Acerinox, the stainless steel producer, a significant gainer, closing up Pta500 at Pta7,900.

Among the banks, Popular and Santander both showed strongly with respective gains of Pta520 and Pta70 to Pta4,600 and Pta5,100. Utilities were sold with Iberdrola slipping Pta25 to Pta70.

BRUSSELS met profit-taking amid uncertainty over the Russian referendum and the Bel-20 index dipped 1.72 to 1,223.94, for a weekly fall of 2.4 per cent. Petrobras slipped 6 per cent at one stage before closing Brf320

PARIS was active on the last day of the account with considerable US selling noted. The CAC-40 index, driven by futures, lost 27.8 to 1,916.58 after a high of 1,946 and a low of 1,900. The index has shed 3.5 per cent on the week. Turnover was FF13.4bn.

Mr Michael Woodcock of Nikula Europe commented that the repo rate cut by the Bank of France had been expected and lent little support. In spite of the day's declines he believes that the market will rise again next week to test the 2,000 level.

Peugeot went against the trend with a rise of FF122 to FF164 as buyers came in after positive comments from Mr Jacques Calvet. However, some analysts feel that Mr Calvet's hopes of a slowdown in the fall in European car sales are too optimistic, since there would have to be a phenomenal recovery in the second half.

Elf lost FF113 to FF137 on indirect confirmation that it would be interested in increasing its stake in Petrobras while among the financials Paribas outperformed with a rise of FF1.80 to FF1.25.

BRUSSELS met profit-taking amid uncertainty over the Russian referendum and the Bel-20 index dipped 1.72 to 1,223.94, for a weekly fall of 2.4 per cent. Linde was dragged down DM10 to DM751 in spite of higher than expected earnings forecasts

or 3.5 per cent lower at Brf7,770. But the share subsequently picked up to Brf9,050 in the London after-market after suggestions that Elf was interested in increasing its stake.

FRANKFURT lost ground in thin volume as investors remained on the sidelines. Traders, who had rushed to learn who President Oscar Luigi Scalfaro would appoint as a new prime minister following Mr Giuliano Amato's resignation.

The Comit index rose 3.43 to 531.63, for a weekly rise of 3.5 per cent, as the market waited to learn who President Oscar Luigi Scalfaro would appoint as a new prime minister following Mr Giuliano Amato's resignation.

Flair again led the advance, rising L100 to fix at a two year high of L6,660, before continuing up to L6,820 after hours.

ZURICH ended easier but above the day's lows as uncertainty about the outcome of Sunday's Russian referendum weighed on the market. The SMI index shed 14.6 to 2,162.7, little changed on the week. Exporters were easier in

announced on Thursday.

MILAN rallied as speculators bought blue chip issues, encouraged by the Bank of Italy's move late on Thursday to cut the discount rate, and on hopes that the political outlook will become clearer over the weekend.

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531.63, for a weekly rise of 3.5 per cent, as the market waited to learn who President Oscar Luigi Scalfaro would appoint as a new prime minister following Mr Giuliano Amato's resignation.

HELSINKI finished the week on a firm tone on hopes of lower interest rates. The HEX index rose 17.7 to 1,115.6, advancing 5.4 per cent on the week.

The market did not like the surprise re-election of Mr Paul Keating's Labor government on March 13 - the All Ordinaries dropped 35 to 1,268.4 on the first trading day after the poll. But the retreat was temporary, and there is little doubt that the election has eased the political uncertainty which was holding the market back.

Recovery from the 18 month recession in 1990/91 has been painfully slow, but the economy grew by 0.7 per cent in the December quarter, and by 2.5 per cent over the year. This is not fast enough to bring unemployment down much from the present 10.9 per cent, but it is faster than in most other OECD countries.

Significantly, four of the five sectoral indices which have fallen over the last 12 months are directly recession related - building materials, alcohol and tobacco, retail and transport.

All could be expected to show solid gains if the pace of recovery increases. (The fifth sector, metals excluding gold, is unlikely to show much improvement until the leading economies show signs of stronger growth.)

Confidence is recovering rapidly. The latest survey of Australian industry by Dun & Bradstreet showed that business confidence leapt to a four year high in March, and a

response to the lower dollar and US economic data. Nestle registered shares dipped SF10 to SF11.15 while Roche certificates shed SF20 to SF17.40.

AMSTERDAM fell back in tandem with the weaker dollar and the CBS Tendency index dipped 1.10 to 1,103, a fall of 0.5 per cent on the week.

STOCKHOLM eased as the central bank failed to cut its marginal lending rate during the trading session. The Affärsvärlden index fell 7.14 to 1,020.42, or 2 per cent on the week. After the close, the central bank eased its key lending rate by 25 basis points to 9.5 per cent.

OSLO, however, ended higher as overnight lending rates were cut to 8 per cent from 8.25 per cent. The all-share index rose 2.16 to 338.53, up 1.2 per cent from the previous week.

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**Bulls manage to jump hurdle at third attempt**

Kevin Brown reports on the Australian market

**T**here was no cheering, but there were plenty of sighs of relief among brokers on Friday night after the Australian All Ordinaries index found sufficient strength to end the week above 1,700.

It was a close run thing. In the end, the index closed 2.8 points down on the day, at 1,702.5. But it could have been worse: no less than three bull runs in the last 15 months have failed at the 1,700 hurdle.

It is unclear whether the breaching of the barrier presages a sufficiently strong rally to take the index back to its peak of 2,300 achieved on the eve of the 1987 global stock markets crash.

Most observers think not; at least not yet. Nevertheless, the All Ordinaries is now 25 per cent above its end-1987 level, and 9.8 per cent above its close at the end of last year.

The improvement has been across the board. Eighteen of the 23 sectoral indices showed an improvement over the 12 months to the end of March, compared with just three in the year to December, and 10 in the end-February year.

Clearly, the recovery is broadening as it gathers pace. And there are plenty of other reasons to be cheerful about the future.

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surprise re-election of Mr Paul Keating's Labor government on March 13 - the All Ordinaries index dropped 35 to 1,268.4 on the first trading day after the poll.

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Confidence is recovering rapidly.

The latest survey of Aus

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ness confidence leapt to a

four year high in March, and a

report by the Australian Chamber of Manufactures indicated that more than 40 per cent of manufacturing companies expected to increase production in the June quarter.

It is also clear that the flood

of poor results from leading

Australian companies is

ebbing, after two years in which black ink had sometimes seemed a rarity. Potter Warburg, the Melbourne stockbrokers, says that net corporate profits, excluding the resources sector, are likely to increase by

15 to 20 per cent this year, com

pared with a decline in 1992.

On the downside, brokers

say that concern about the

balance of payments and the bud

get deficit may re-emerge, and

demand may be dampened by a

slue of floatations and rights

issues due over the next 12

months. These will include 75

per cent of Qantas, a further

branch of the Commonwealth

Bank, the Adasteam

group's Woolworths retailing

chain, and at least one com

mercial television network.

Perhaps because of these

concerns, institutional buyers

remain cautious, and many

analysts say there is insuffi

cient steam in the present rally

to take it much further. "Our

view is that the market will

consolidate for a couple of

## LONDON SHARE SERVICE

## AMERICANS

Notes  
Price  
P/E  
Dividends  
Yield

Ashley Lake  
Ametek S.  
Ameri-Cyanide  
Ameri-Tech  
Ametrich  
Bass America  
Bell Atlantic  
Bethlehem Steel  
CPC  
Cable Land Inc  
California Egg  
Chairman  
Citcorp  
Dodge-Peck  
Data General  
Data General  
Dats & Brad  
Eaton  
Edison  
Ford Motor  
Gen Elect  
Globe  
Hedco  
Houston Inds  
Ingersoll-Rand  
Lazard Fr  
Merrill Lynch  
Morgan Stanley  
NYSE  
Percell  
Quaker Oats  
Reed  
Shawmut  
Stearns, Rockwell  
Sun Co  
Tenneco  
Tecumseh  
United  
US West  
Whole Foods  
Wheaton  
Wheeler

## CANADIANS

Notes  
Price  
P/E  
Dividends  
Yield

Abbot Energy  
Ameri-Berrick  
Bk Slave  
Bk Slave  
Brascan  
Brentwood Bk  
Can Pacific  
Cen Corp  
Echo Bay  
Hudson's Bay  
Imperial Oil  
Nova Corp Alberta  
Rex Alcan  
TVA Gold  
Toronto-Dom  
Trans Can Pipe

## INVESTMENT TRUSTS - Cont.

Name	Price	Yd
Scottish Investors	109.0	-
Warrants	109.0	-
Scott Mortgage	109.0	-
Scott National Inv Fund	109.0	-
Cash Inv Fund	109.0	-
Stephens Pt	109.0	-
Zero Div Pt	109.0	-
Harrison Inv Fund	109.0	-
Scott Value	109.0	-
Sci Alliance	109.0	-
Second Market	109.0	-
Sec Tel Scrs	109.0	-
Sci Inv Scrs	109.0	-
Sci Inv Inv	109.0	-
Sci Inv Inv	109.0	-
11pc Crd Cr 1000+	109.0	-
Shares	109.0	-
Small Select	109.0	-
Small Share	109.0	-
Smaller One	109.0	-
Warrants	109.0	-
Shares	109.0	-
Zero Div Pt	109.0	-
Semi Inv	109.0	-
TF City of Lnd Inv	109.0	-
TF Technology	109.0	-
Stephens Pt	109.0	-
Zero Pt	109.0	-
Temple Inv Fund	109.0	-
Thomson Inv Fund	109.0	-
Thompson Clive	109.0	-
Thompson Inv Fund	109.0	-
Workers	109.0	-
Thomas Pm Env	109.0	-
Warrants	109.0	-
Corp	109.0	-
Throg 1000 Bus Inv	109.0	-
Throg 1000 Bus Inv	109.0	-
Thompson Tst	109.0	-
Warrants	109.0	-
Tst Inv	109.0	-
Trs Inv	109.0	-
Trs Inv	109.0	-
Treasury Trust	109.0	-
USC Inv	109.0	-
US Smaller Inv	109.0	-
Value & Inv	109.0	-
Value Inv	109.0	-
Inv Inc	109.0	-
Cap Induced	109.0	-
Warrants & Value	109.0	-
Whitbread Inv	109.0	-
Witton	109.0	-
Witton Inv	109.0	-
Yorcon Inv	109.0	-
Zero Pt	109.0	-
All smaller values supplied by Redditch Scientifics Limited as a guide only. See guide to London Share Service.		

## MERCHANT BANKS

Name	Price	Yd
Scottish Inv	109.0	-
Warrants	109.0	-
Scott Mortgage	109.0	-
Scott National Inv Fund	109.0	-
Cash Inv Fund	109.0	-
Stephens Pt	109.0	-
Zero Div Pt	109.0	-
Harrison Inv Fund	109.0	-
Scott Value	109.0	-
Sci Alliance	109.0	-
Second Market	109.0	-
Sec Tel Scrs	109.0	-
Sci Inv Scrs	109.0	-
Sci Inv Inv	109.0	-
Sci Inv Inv	109.0	-
11pc Crd Cr 1000+	109.0	-
Shares	109.0	-
Small Select	109.0	-
Small Share	109.0	-
Smaller One	109.0	-
Warrants	109.0	-
Shares	109.0	-
Zero Div Pt	109.0	-
Semi Inv	109.0	-
TF City of Lnd Inv	109.0	-
TF Technology	109.0	-
Stephens Pt	109.0	-
Zero Pt	109.0	-
Temple Inv Fund	109.0	-
Thomson Inv Fund	109.0	-
Thompson Clive	109.0	-
Thompson Inv Fund	109.0	-
Workers	109.0	-
Thomas Pm Env	109.0	-
Warrants	109.0	-
Corp	109.0	-
Throg 1000 Bus Inv	109.0	-
Throg 1000 Bus Inv	109.0	-
Thompson Tst	109.0	-
Warrants	109.0	-
Tst Inv	109.0	-
Trs Inv	109.0	-
Treasury Trust	109.0	-
USC Inv	109.0	-
US Smaller Inv	109.0	-
Value & Inv	109.0	-
Value Inv	109.0	-
Inv Inc	109.0	-
Cap Induced	109.0	-
Warrants & Value	109.0	-
Whitbread Inv	109.0	-
Witton	109.0	-
Witton Inv	109.0	-
Yorcon Inv	109.0	-
Zero Pt	109.0	-
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## METALS &amp; METAL FORMING

Name	Price	Yd
Scottish Inv	109.0	-
Warrants	109.0	-
Scott Mortgage	109.0	-
Scott National Inv Fund	109.0	-
Cash Inv Fund	109.0	-
Stephens Pt	109.0	-
Zero Div Pt	109.0	-
Harrison Inv Fund	109.0	-
Scott Value	109.0	-
Sci Alliance	109.0	-
Second Market	109.0	-
Sec Tel Scrs	109.0	-
Sci Inv Scrs	109.0	-
Sci Inv Inv	109.0	-
Sci Inv Inv	109.0	-
11pc Crd Cr 1000+	109.0	-
Shares	109.0	-
Small Select	109.0	-
Small Share	109.0	-
Smaller One	109.0	-
Warrants	109.0	-
Shares	109.0	-
Zero Div Pt	109.0	-
Semi Inv	109.0	-
TF City of Lnd Inv	109.0	-
TF Technology	109.0	-
Stephens Pt	109.0	-
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Temple Inv Fund	109.0	-
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Thompson Clive	109.0	-
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Workers	109.0	-
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Throg 1000 Bus Inv	109.0	-
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Treasury Trust	109.0	-
USC Inv	109.0	-
US Smaller Inv	109.0	-
Value & Inv	109.0	-
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Cap Induced	109.0	-
Warrants & Value	109.0	-
Whitbread Inv	109.0	-
Witton	109.0	-
Witton Inv	109.0	-
Yorcon Inv	109.0	-
Zero Pt	109.0	-
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## MISCELLANEOUS

Name	Price	Yd
Scottish Inv	109.0	-
Warrants	109.0	-
Scott Mortgage	109.0	-
Scott National Inv Fund	109.0	-
Cash Inv Fund	109.0	-
Stephens Pt	109.0	-
Zero Div Pt	109.0	-
Harrison Inv Fund	109.0	-
Scott Value	109.0	-
Sci Alliance	109.0	-
Second Market	109.0	-
Sec Tel Scrs	109.0	-
Sci Inv Scrs	109.0	-
Sci Inv Inv	109.0	-
Sci Inv Inv	109.0	-
11pc Crd Cr 1000+	109.0	-
Shares	109.0	-
Small Select	109.0	-
Small Share	109.0	-
Smaller One	109.0	-
Warrants	109.0	-
Shares	109.0	-
Zero Div Pt	109.0	-
Semi Inv	109.0	-
TF City of Lnd Inv	109.0	-
TF Technology	109.0	-
Stephens Pt	109.0	-
Zero Pt	109.0	-
Temple Inv Fund	109.0	-
Thomson Inv Fund	109.0	-
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Thompson Inv Fund	109.0	-
Workers	109.0	-
Thomas Pm Env	109.0	-
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Tst Inv	109.0	-
Trs Inv	109.0	-
Treasury Trust	109.0	-
USC Inv	109.0	-
US Smaller Inv	109.0	-
Value & Inv	109.0	-
Value Inv	109.0	-
Inv Inc	109.0	-
Cap Induced	109.0	-
Warrants & Value	109.0	-
Whitbread Inv	109.0	-
Witton	109.0	-
Witton Inv	109.0	-
Yorcon Inv	109.0	-
Zero Pt	109.0	-
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## MEDIA

Name	Price	Yd





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## Yeltsin plans to give president power over all state institutions

By John Lloyd and Leyla Boultton  
in Moscow

PRESIDENT Boris Yeltsin yesterday promised Russians a constitution in which presidential power would dominate every other state institution if he won their support in tomorrow's referendum on the country's future.

Speaking on television in his native Ekaterinburg, Mr Yeltsin claimed the four-question referendum was a pivotal test for Russia. "Will reforms in Russia continue, will we finally achieve results that every family and every region can feel? Or . . . will Russia turn backwards, without realising that the turning point was so close at hand?" he asked.

A poll published by Izvestia yesterday showed that Mr Yeltsin enjoys the support of 57 per cent of those who would vote on the first question - do you trust the

president? However, voters are equally divided over the second question, on support for Mr Yeltsin's economic programme.

The other questions ask if voters want early elections for the

forces, the head of the constitutional court and other top judges, the central bank chairman and anyone else in power in Russia. Parliament would have the right to approve

abstract bright future, but about concrete legal guarantees of civil rights and human values."

His initiative came as General Pavel Grachev, the Defence Minister, rejected the charge of corruption brought against him on Thursday night by the procurator-general as "a political act . . . aimed at discrediting government structures".

Gen Grachev is the most senior of ministers and presidential aides against whom corruption has been alleged. The allegations emanate principally from Gen Alexander Rutskoi, the vice president.

Mr Ruslan Khastulatov, the parliamentary speaker met some of the nationalist-inclined intelligentsia yesterday. He told them Mr Yeltsin had to win the support of over half those eligible to vote before he could claim the right to introduce a new constitution or continue his reforms.

or veto his choice, but he could override its objections by dissolving it and calling fresh elections.

This parliament, a holdover from Soviet days divided into Supreme Soviet and Congress of Peoples' Deputies, would be replaced by a bi-cameral assembly with rights confined to debating legislation (introduced by the president) and supervision.

In an introduction to excerpts from the draft constitution printed in Izvestia, Mr Yeltsin said that "a vote on confidence in the president is not about an

presidency and for parliament.

Mr Yeltsin hinted that he

## Pearson to acquire Thames Television in £99m deal

By Raymond Snoddy

PEARSON, the publishing, banking and industrial group, yesterday agreed to buy Thames Television in a deal worth a total of £99m.

Pearson's decision to buy the 59 per cent stake owned by Thorn EMI, the entertainment company, triggers a full bid for Thames, which formerly held the London weekday ITV franchise and is now the UK's largest independent producer.

The deal is part of a wide-ranging move into the television market by Pearson. It already owns stakes in British Sky Broadcasting, the satellite television venture, and Yorkshire-Tyne Tees, an ITV company. Lord Blakenham, chairman of Pearson, which also owns the Financial Times, said yesterday: "Our strategy is to increase our involvement in the visual media."

The acquisition of Thames will be Pearson's first wholly-owned television production and distribution enterprise. Pearson clearly intends the deal to be the first step in the creation of an international television business.

Thames will become the heart of a new division which will also include Pearson's interests in BSkyB and Yorkshire. Mr Richard Dunn will remain chief executive.

Thames lost its franchise to Carlton in January, but sales of programmes such as *The Bill*, *Wish You Were Here* and *This Is Your Life* to ITV will bring in more than £40m this year.

Although no contracts have been agreed beyond that, senior Thames executives believe it is likely that further contracts will be agreed for the programmes, which are in the ITV Top 20.

Pearson will also be buying an international programme distribution business, Teddington studios in London, a 9.7 per cent stake in the Astra satellite system which has recently been revalued to £20m, 15 per cent stake in UK Gold, the satellite channel based on programme libraries, and a library with more than 10,000 hours of useable programmes.

At the end of 1992, Thames had net assets of £11.8m and a net cash balance of £13.8m after finance leases.

Mr Frank Barlow, Pearson managing director, described the Thames deal as "just an extension of our existing business", which was heavily based on intellectual property rights.

Mr Barlow said he saw Thames as a base from which to expand into international broadcasting - including the possibility of taking stakes in broadcasters in other countries.

As the owner of a UK national newspaper, Pearson is limited to a 20 per cent stake in an ITV company. But it will keep its stake in Yorkshire-Tyne Tees below 15 per cent to continue to play as an independent producer under UK rules.

There is likely to be an expansion in business, educational and children's programmes drawing on the strengths of the FT, and Pearson publishing interests, which include Longman and Penguin.

Pearson's cash offer of 200p a share represents a premium of about 14 per cent on Thames' closing price on Thursday. They added 20p yesterday to close at 105p. Pearson shares rose by 10p to 425p.

The first of the writs could be issued as soon as the start of May, although the fresh initiative raises the possibility that the two sides might conclude their long-running row without the need for further legal action.

The "dirty tricks" campaign was designed to undermine Virgin's business. It led to BA apologising in the High Court in January for its behaviour and paying £610,000 in legal damages. The two companies then began discussing compensation for the commercial damage done to Virgin.

The draft agreement would have seen BA pay £9m compensation to Virgin. The talks founded on a clause limiting discussion of the case: Virgin said it would be "gagged" but BA said that it had asked for events not to be "raked over".

Virgin abandoned the talks on March 19 threatening to produce new evidence against BA in the courts.

## Virgin and BA renew efforts to end dispute

By Daniel Green

BRITISH AIRWAYS and Virgin Atlantic Airways have restarted talks aimed at settling the "dirty tricks" dispute.

Lawyers from the two companies met last week at BA's instigation. Virgin said yesterday they revised the draft agreement over which the two companies had failed to agree in March.

The amended version of the agreement is understood to have been sent to BA, which last night would not comment.

Virgin does not plan to postpone the start of court proceedings against BA over compensation for damage done to its business by the "dirty tricks" campaign.

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Virgin abandoned the talks on March 19 threatening to produce new evidence against BA in the courts.

## Britain oversaw EBRD spending

Continued from Page 1

probably be examined by the auditor general, Sir John Bourne. It also emerged yesterday that the architects working on the project, Berthet & Pochy of France, were appointed on the insistence of the bank and without following the public tendering procedures which usually apply to public sector projects, according to a UK government official.

The bank's president, Mr Jacques Attali, wrote the preface to know

a book written three years ago about Berthet & Pochy's work. Mrs Marion Pochy, the wife of one Berthet & Pochy's founders, painted a mural at the bank's headquarters in collaboration with two east European artists. They are understood to have been paid less than £30,000.

Meanwhile, the bank's directors,

which represent the countries which own the bank, have asked for details of a spacious EBRD office in Paris, which is used principally by Mr Attali.

Many directors did not know

of the existence of the office, which is situated in a renovated 19th century palace in the Boulevard Madeleine, until last week.

The EBRD said yesterday that the rent on the Paris office was paid by the French government and referred calls to Jean-Claude Trichet, the director of the French Treasury.

However, his office said the finance ministry had paid the rent up to May last year and had no idea who had been paying the rent since then.

the closure of The Observer "profoundly distasteful".

The newspaper's losses are now running at an annual rate of about £8m compared with last year's deficit of £14.9m. But Mr Bock, after taking his seat on Lonrho's board in February, set up an internal team to work on the sale of the paper.

If the sale goes through, it would suggest that Mr Rowland no longer exercises unfettered power on the Lonrho board.

The Observer is printed by the Financial Times, under a contract which runs to January 1995.

The latest trade figures showed that improving exports cut the UK's trade deficit with countries outside the EC to £918m in March from £1.25bn in February.

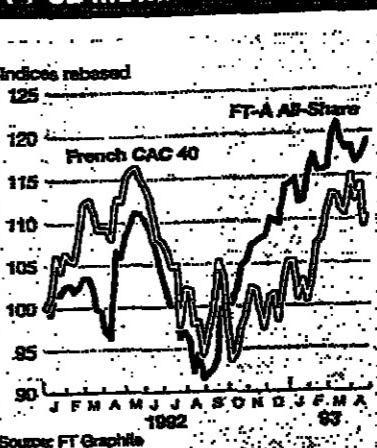
## Chief price changes yesterday

	£/C	£/F	£/G	£/I	£/L	£/M	£/N	£/P	£/S	£/T	£/U	£/W	£/X	£/Y	£/Z
Inf Paper	65%	-	14%												
Rises	85%	+ 20	1%												
Laffall	48%	+ 16													
Philips Konica	57%	+ 10													
Volvo	24.5%	+ 4.5													
West-N.	33%	+ 7													
Falls	32%	-	7.2												
Degussa	55%	-	14%												
New York (S)															
Rises															
Amer Express	28%	+ 8%													
Falls															
BankAmerica	67%	-	1%												
Chevron Texaco	30%	-	8%												
Goodyear Tire	73%	-	14%												
Nafta	1170	+ 100	+	51											
National Electric															
Temperatures at midday yesterday															
C-Cloudy D-Dripsy F-Fog H-Hail R-Rain S-Sunny S-Snow T-Thunder															

## THE LEX COLUMN

### Yielding to pressure

FT-SE Index: 2843.8 (-37.3)



Source: FT Graphix

A marked fall in the FT-SE 100 index while the FT-SE mid-250 remains unmoved should be treated with some caution. Market games are not beyond the manipulation of FT-SE 100 futures prices with a consequent overspill into blue chip stocks. At the end of a week, when the long-awaited recovery was confirmed, a little disappointment is understandable.

Still, there are reasons to fear that UK equities have run out of steam. Large cash calls such as Zeneca and BT III are on the horizon. Base rates seem to have stopped falling, with the government happy to wait and watch sterling rise against continental currencies. That removes some momentum from the switch from cash into equities. Gilts may also fall back as the optimism over lower interest rates fades and the market has to judge through the interminable supply of government debt. While not that expensive, equities are no longer cheap against gilts - and any rise in gilt yields may put pressure on the stock market.

Perhaps the most worrying aspect is the fall in equity yields below 4 per cent. The last three occasions when this happened were 1987, 1973/4 and 1988/9. Those inclined to be generous may argue that a more benign inflation outlook permits lower yields than in the past. More nervous souls may regard it as inflation as a normal pause after devaluation. In 12 months' time, retail price inflation might not look so subdued. Low dividend cover and the limited capacity for growth in payments also cast a shadow over low yields. If inflation turns up, neither gilts nor equity returns will look that generous.

#### Bowater

Yesterday's US acquisition by Bowater was enough to maintain its forward momentum. The 2 per cent rise in the shares against a falling market is another footnote in a four-year record of outperformance. But Bowater's balance sheet is showing the strain. Yesterday's deal adds 6 percentage points to gearing, due in part to the write-off of \$5m goodwill. Interest cover is strong, but Bowater's self-imposed gearing limit of 75 per cent leaves it room for perhaps one more big deal before shareholders are again asked to chip in.

If earnings per share growth can be maintained, another rights issue next year might not interrupt the upward march of the shares. But the new UK

#### French equities

The 3.5 per cent fall in French equities this week - despite two interest rate cuts - was more than offset by the gains from the disposal of Asda's MFI stake. The bigger strategic question, though, concerns the future of the company's loss-making Allied Maples carpet subsidiary. Allied Maples has been heavily rationalised but is still struggling against fierce competition. Asda must hope that a pick-up in market demand will permit a recovery and subsequent sale.

This would leave Asda free to concentrate on maintaining the momentum of its core food operations. Despite recent progress, it still has a huge amount to do to ensure its long-term viability. Budgets' link-up with the giant German Rewe group suggests that even the industry's sturdiest fry are shaping up for the fight.

#### The Da Vinci by IWC

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# Weekend FT

SECTION II

Weekend April 24/April 25 1993

## The rebels who were silenced by the syringe

**A**RKADY Stepanchuk will never forget the cold November morning in 1961 when he was arrested by the KGB. He was just 16. His crime? Going to the French embassy to seek information about relatives who had fled to France during the second world war.

KGB agents then searched the one-room apartment where he lived with his parents and discovered a diary in which he had written: "Why do we need the cult of Lenin if we have Jesus Christ?" He was charged with "anti-Soviet agitation and propaganda" and confined to a ward reserved for dangerous patients in a Moscow psychiatric hospital.

There, he was diagnosed as schizophrenic and placed on the psychiatric register. This – one of many methods used by the state to keep track of its citizens' mental health – recorded all patients who received psychiatric treatment and often was used to deny people jobs, flats, a university education and the right to travel. "It stripped me of practically all my rights at the age of 16," Stepanchuk says. "I became a prisoner of this diagnosis."

A black and white photograph showing a patient being strapped to a bed in a psychiatric hospital.

Tying a patient to his bed

In 1966, he requested another evaluation, thinking he would be found healthy and could resume a normal life. Instead – "just to be on the safe side," as Stepanchuk recalls bitterly – the commission ruled he was psychopathic. "They said: 'Who can guarantee that you won't go to the embassy again?'" Frustrated and angry, he had no way of knowing that he would spend the next 27 years in and out of psychiatric hospitals.

Stepanchuk was released for the last time in 1988. A frail, withered man who looks older than his 46 years, he says no one, including the psychiatrists who treated him, ever questioned his sanity.

"It was all deliberate," he says. "They never believed that I was mentally ill. They told me that I was being held to keep me from resuming my activities."

Under the communists, hundreds, perhaps thousands, of political dissidents were forced to have "treatment" in psychiatric hospitals as a way to silence them. They were not the only ones. Many whose cases were never publicised suffered the same fate.

Yuri Noller, a psychiatrist at the Bakhchereva Psychoneurological Institute in St Petersburg, explains: "If someone was in someone else's way, if he argued with his boss, for example, his boss would say, 'Well, he is obviously schizophrenic' and order him to undergo a psychiatric evaluation." This, invariably, proved he was mentally ill and in need of compulsory treatment.

In spite of such abuses, leading reformers in Russia and Ukraine insist that the system is to blame, not individual psychiatrists. Under Soviet rule, psychiatry underwent a Kafka-esque metamorphosis in which it was transformed from a branch of medicine into a covert method of social control.

"It was a brutal, primitive system," says Stepanchuk, who was



Faces of despair: inside the geriatric ward of a Moscow psychiatric hospital where the days blur together. Many patients have forgotten what it is like to breathe fresh air or feel the warmth of the sun on their skin

injected forcibly with various drugs including sulfazaine, a powerful agent used widely on dissidents that causes fever, temporary paralysis and excruciating pain. "They didn't beat you. They used syringes instead."

Semyon Gluzman is an internationally-renowned psychiatrist and dissident who spent seven years in

**Under Soviet rule, psychiatry was transformed into an instrument of repression. The rules are changing, but Lori Cydile finds that hospitals remain grim, backward and deeply feared**

labour camps and three in exile for protesting at the misuses of his profession. Now living again in his native Kiev, he says: "It is okay to sit here with you now and talk about these things but, back then, I went to prison and ruined my life. It was a cruel system. A person who wanted to work honestly had to pay for it by going to prison."

Reformers say the psychiatrists, seemingly the masters of the game, were all too aware that the rules could change, and the tables turn, at any moment. Stepanchuk bears

his tormentors no ill-will because, as he puts it: "If they hadn't done what they did to me, the same would have been done to them."

Laws intended to protect patients against these kinds of abuses have been passed in Russia already and similar legislation is being debated in Ukraine. The Russian law, based on US statutes, is the first ever to

Previously, it was not possible to appeal against a psychiatrist's ruling...

The old system mirrored 19th century America when the criterion there for involuntary commitment was a vague "need for treatment" as decided by one or two doctors, and there was no limit to the time a patient might spend in a psychiatric

changing the bleak reality of their daily lives will require more than just legislation. Many psychiatric hospitals, particularly those built before the revolution, come straight from the pages of Gothic novels. Dark and cavernous, with double steel doors and thick iron bars on the windows, they look like prisons.

In the geriatric ward of Moscow's Psychiatric Hospital No. 14, the stale air and the smell of urine create a stench that is overpowering. Several of the patients, mostly men in their 60s, look emaciated and seem to drift in and out of consciousness.

A number lie amid their own excrement, their eyes vacant. One frail, wasted man with skin the colour of plaster moans, through hollow cheeks: "Mama, mama."

When asked how long they have been there, many say they do not know; the days are so similar that they have blurred together. Many have forgotten what it is like to breathe fresh air, or to take a walk and feel the warmth of the sun on their skin, for they are not allowed to go outside.

Although the new law is an important step toward broadening the civil rights of the mentally ill,

outside, stopping them just as they were about to open the door. "Where do you think you are going?" she bellowed. "You're not going anywhere. You're not allowed to take a walk." The man looked down at the floor, removed his jacket silently and walked slowly back to the room he shares with 16 other men. Asked why he was not permitted to talk a walk, the psychiatrist replied: "He might run away."

In another ward, an orderly told a patient to sit down. When he did not comply immediately, the orderly – a sturdy, buxom woman – yelled at him and shoved him into a chair.

In the insulin therapy ward of Moscow's Clinical Psychiatric Hospital No. 4, which was built in 1905, there are 11 patients, all young men in their early 20s. Their hands and feet are tied to their narrow metal beds with strips of cloth. Insulin therapy is a brutal, painful treatment method which has gone the way of the lobotomy in western countries but continues to be seen in Russia as a miracle cure for schizophrenia.

■ Continued on page VIII

### CONTENTS

**Finance & Family:** Behind the glisters of the gold card III

**Food:** What food in Venice? How to dine cheaply IX

**Fashion:** Hacks in jackets – how journalists dress for work XI

**Property:** Gerald Cadogan finds bargains in East Anglia XVII

**Arts:** Taking the scalpel to Francis Bacon XVIII

**Interview:** Natalia Makarova, the butterfly who trembles XXII

### The Long View / Barry Riley

## Gilt buyers beware



NEWS item one: British government borrowing reached an astonishing record for a single month of £25bn in March. News item two: the Bank of England has begun actively promoting government securities to private investors – for instance, by distributing 360,000 copies of a small investors' guide to gilts, and by placing special application forms in the newspapers to encourage private buyers' subscriptions to its monthly auctions of new gilts. The latest of these comes next Wednesday, a £2bn offer of five-year bonds.

We are not yet being asked to tell Sid, but it might come to that. Plainly, the Bank of England has done its sums and decided that it must market government debt more energetically to the personal sector. It has over £40bn of gilts to sell this financial year, and although the life assurance companies might invest £15bn, the pension funds, which have hardly any cash inflows at present, will not be significant buyers.

That leaves foreigners (who are, in most cases, unpredictable speculators), and the banks, which will not buy on any serious scale until money market rates are cut to 5 per cent or less – an event which, effectively, depends on further rate reductions by the Bundesbank. This is because the government fears that any weakness in sterling will ruin its chances of holding inflation below its self-imposed 4 per cent ceiling, so it will cut short-term interest rates decisively only if the contours have moved first.

The Bank of England's easy option in the short term is, therefore, to go after private investors – at least, until the building societies start kicking up a bigger rumpus over unfair competition. Although, later in the 1990s, the personal sector was unloading gilts at the rate of around £2bn a year (at a time when the government was buying back its bonds for cancellation), last year it bought £3bn worth on top of £5bn invested in National Savings.

According to the Bank, as many as 60,000 eager savers have requested the new gilts booklet personally. "Gils," they will read therein, "is short for gilt-edged securities. The stock market has given this name to British Government securities because of their reputation as one of the safest of investments. The British Government, over hundreds of years, has never failed to meet the interest and capital payments as they fall due."

Dodgy grammar apart, smart savers also will be uncomfortably aware that the Bank is being a little economical with the *actualities*. None of the following episodes constituted legal default, but they left investors badly bruised. In the 1888 conversion of the national debt, for example, holders of 3 per cent Consols were faced with the choice of a half-point cut in the coupon or repayment at par, which was a long way below the former market value.

**A**fter the second world war, inflation was the hazard, so that an investor foolish enough to buy the notorious undated Dalton's (Hugh Dalton was the Labour chancellor who forced long-term interest rates down to 2.5 per cent in 1946) would have lost 96 per cent of his purchasing power over the next 30 years. Finally, high income taxes and investment income surcharges have been used to penalise investors, climaxing in the 27.5d in the pound tax rate on wealthy people's investment incomes imposed by Roy Jenkins in 1968.

But the motto of the successful investment salesman is – sometimes give a sucker an even break. In 1992, the gross rate of return on long-dated gilts (adding capital appreciation to income) was 17 per cent, and it had been very similar in 1991. It certainly beats the Halifax. Moreover, every now and then, gilts have a truly wonderful year as the market realises that real interest rates are much too high. The last was in 1982 as yields tumbled from 15.6 to 10.9 per cent, giving rise to a total return of 54 per cent for the year.

Gilt-edged bulls enthuse now at the prospect of another such bonanza as long yields collapse from 8.4 to, perhaps, 6 per cent. If that were to happen quickly, it could generate a one-year return of around 40 per cent.

Remember, though, that the 1982 gilt-edged miracle followed Sir Geoffrey Howe's vicious 1981 Budget in which he confronted the borrowing problem grimly: the PSBR fell from £12.7bn in 1980-81 to £8.5bn in 1981-82. Moreover, unemployment was continuing to rise steadily in 1982, from 3.6m to 2.95m – always a comforting trend for bond holders. In contrast, we must now contend with the flabby policies of Norman Lamont, with the PSBR forecast to jump from £36.5bn to £50bn. Unemployment, surprisingly, has begun to fall.

The bygone era of personal investment, in which Consols formed the bedrock of every middle-class portfolio, will not return quickly. The soundness of gilts rested fundamentally not so much upon the creditworthiness of the government as on the underlying link of the currency to gold. After that safeguard went in the 1930s, and especially since sterling floated freely from the beginning of the 1970s, gilts became much more risky. The modern equivalents of Consols are index-linked gilts, which are safe but rather boring. Fixed interest gilts, on the other hand, have become casino securities, moving increasingly under the influence of the global bond fund managers who trade billions in a shadowy and rootless market in which government securities of different countries are given nicknames like oats, bonds, and JCBs.

Coupon-clipping British small investors must appear much more attractive to the Bank of England than the global bond men, who will sell gilts short without mercy at the least sign of trouble. But when you overspend at the rate of £9.5bn a month, the loyal private punters are a side-show. You must solicit the international moneylenders and await your fate. At least they will not need a booklet.

Private investors urged to buy gilts.

## RAISED IN THE HIGHLANDS.



**THE FAMOUS GROUSE FINEST SCOTCH WHISKY**

QUALITY IN AN AGE OF CHANGE.

# The Week Ahead

## Sid continues to do as he was told

By Maggie Urry

HI THERE, Sid. Woken up?

Retall demand for new issues is on the rise again, after last summer's collapse. This week the public element of bus operator Stagecoach's float was nearly eight times subscribed, and other recent issues did well.

It has got to the point where one tabloid newspaper this week advised readers to apply for a particular flotation, saying the shares would rise sharply after the issue. Not an unreasonable tip - except that the particular issue has yet to be priced. As the banker involved said, it is hurt to be accused of mispricing an issue even before it has.

Flotations abound as companies are rushing to market before the Government's £5bn sale of its British Telecom stake in the summer, in which Sid will also be expected to do his stuff. And on Wednesday Imperial Chemical Industries gave further details of the demerger of Zeneca, its bioscience business, which involves raising £1.3bn.

Add those to all the rights issues that have been coming - the total for the year to date already exceeds that for the whole of 1992 - and what do you get? An awful lot of equity coming on the market.

And it is widely forecast that the government will want to raise £50bn in gilt-edged stock in the current financial year.

Last year's public sector borrowing requirement was revealed on Tuesday to have been a record £36.5bn.

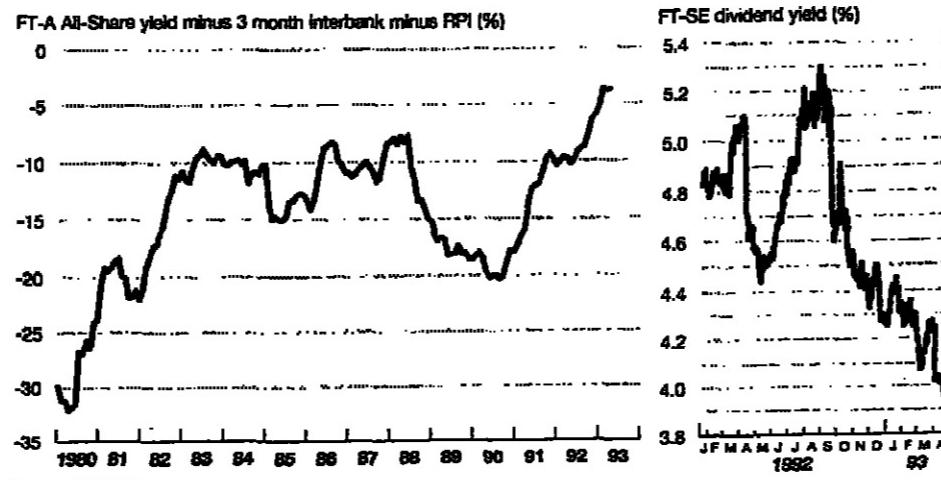
So what is wanted is some new source of demand. Now, the bulls of the stock market have been counting on overseas buyers to plug the gap. And there has certainly been some interest from them.

But I am indebted to the most irrepressibly bullish of them all, Nick Knight, and his colleague Chris Dillon, at Nomura Research Institute, for identifying another source of demand. Not Sid so much as his high-net-worth-individual cousin. Let us call him Gerald.

Between 1963 and the middle of 1991 there were only three

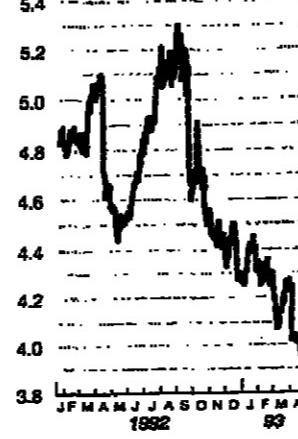
### Why Gerald is buying

FT-A All-Share yield minus 3 month Interbank minus RPI (%)



Source: Datastream

### FT-SE dividend yield (%)



Source: Datastream

quarters when individuals were net buyers of equities. (Which three? answers at the foot of this column.) But in the last six recorded quarters, they have been net buyers for more than five. And in 1992, individuals like Gerald bought more UK shares than non-bank institutions did - for the first time in more than 30 years.

Further evidence of Gerald's investment comes from the building societies. They have been complaining of a shortage of funds - and threatening a rise in mortgage rates. Their problem is not so much a lack of retail funds, but more a shortage of wholesale money.

But included in wholesale money is deposits of more than £50,000 by individuals. In other words, Gerald as well as Sid has been taking his money out and putting it into shares.

There is an obvious reason why. The yield he can get from

equities, of around 4 per cent, is not far short of what the building society is paying. Indeed if he picks his shares he can get a higher income from equities and hope for a capital gain too.

As the first chart shows, the real gap between the yield on the All-Share Index and money market interest rates is the lowest (least negative) it has been for donkey's years. And for good measure, the second chart shows the yield on the Footsie index falling below 4 per cent this week.

For the first four days of the week the market was rising. A stream of good news meant that by Friday morning all the headlines were saying that the recession was over and recovery had started.

The news included a second monthly fall in unemployment - quite a surprise given that new jobs are supposed to lag recovery.

There are two explanations for this. Either it is a happy freak, and a happy coincidence for the Conservatives facing the Newbury by-election and the local government elections. The other - rather off-the-wall but distinctly cheerful idea - is that it is indeed a lagging indicator and shows that recovery began sometime last autumn.

At any rate next Monday's output figures should mark the official end of the recession.

Some of the other good news was: March car production in the UK was the highest for 19 years; there were cuts in interest rates in Germany and France; cheery surveys came from the CBI and the British Chambers of Commerce; chirpy retail sales figures were published on Friday.

But by Friday this was all

too much for a market happier to travel hopefully than arrive. And the week ended with the Footsie at 2843.8, up 19.4 points over the week but down from Thursday's close of 2881.1.

That leaves the Footsie roughly where it was when the year started, and since then forecasts of recovery and of interest rate falls are on balance more optimistic. What has perhaps been lacking this week has been more optimism from companies.

On the plus side was Abbey National's annual meeting, where the chairman said mortgage enquiries were up and arrears down, and first quarter results from SmithKline Beecham, up 12 per cent pre-tax, and Zeneca, profits "usefully" ahead in the first quarter, whatever that means.

After weeks of under-performance for pharmaceutical stocks, when the ICI demerger was looking more and more foolish, there was a reversal this week. Zeneca may, after all, have timed its launch to perfection.

But on the negative tack dividends are still being cut or paid uncovered: CE Heath, the insurance broker, discovered a nasty loss in Australia; and Hammerson, the property company, produced results even worse than the nothing great that was expected.

It may take more good news from the corporate sector, to add to the better economic news, to persuade equities to break upwards again.

**■ The three quarters were:** the fourth quarter of 1974, the second quarter of 1975 and the third quarter of 1987. Gerald can buy at the bottom as well as the top.

RISK IS at the heart of investment, but while many savers know that it exists, they find it hard to define. While they strive to safeguard their portfolios against the most obvious types of risk, more subtle dangers are sneaking in via the backdoor.

The most common mistake is to focus on the threat to nominal capital, while ignoring the effect of inflation. Accordingly many people leave the bulk of their capital in the building society, because the alternatives are "too risky".

But even at 4 per cent inflation - the top of the government's target range - the value of money halves in 18 years. So someone retiring now at the age of 60 might see a drop of 70 per cent or so in the value of their savings over their remaining lifetime. Given that the cost of care for the elderly will probably increase at a faster rate than prices elsewhere, this could eventually result in serious financial difficulties.

Income is just as affected by inflation as capital. Interest rates have fluctuated between 6 per cent and 15 per cent over the past 15 years. Anyone who has relied on their building society for income will accordingly have enjoyed a roller-coaster ride. The canny may have saved the excess income in the high interest years in order to spend it in low interest times like today; many will not have been so wise.

Of course, interest rates may well rise from their current levels. Nevertheless, over the long term there is no reason to expect increasing income from a building society. According to Moneyfacts, someone who invested £5,000 with Abbey National would have received a gross income of 8.33 per cent in 1978, compared with just 7.35 per cent now. Prices have nearly trebled over the period.

Contrast the position with equities. If you had invested

£10,000 in shares in 1980, your gross dividend income, initially £500, would be now be worth £2,016 per annum, a return of 22 per cent on your original investment.

But blue chips can let investors down, as US investors in IBM have found. Between the 1987 Crash and the end of January 1993, the computer group's market value fell by an astonishing \$72bn. There is no example in the UK which is quite on the same scale: nevertheless, stocks such as BP, ICI, Land Securities, Pearson and P&O are still lower than they were before the Crash.

Some of today's blue chips will probably underperform on a similar scale; indeed it may well be that smaller companies are the sector to choose from. But for the small investor, stock selection is a difficult task which is why an investment trust, which owns a wide portfolio of shares, may well be the best bet.

Even in this sector, there is a big difference between the capital shares of a split trust and an international generalist such as Bankers or Foreign & Colonial.

Robert Fleming, one of the largest investment trust managers, took a step to help private investors make their choice by asking securities group Smith New Court to give risk ratings to its trusts.

They were ranked in four different categories - slightly below average risk (Continental European and Mercantile), average risk (Fledgling, High Income and the units of the Income & Capital trust), slightly above average risk (Enterprise, European Fledgling and Claverhouse) and above average risk (the ordinary income shares of the Income & Capital trust). Investors are also told which trusts offer capital growth, income or a combination of the two.

Other groups have attempted risk ratings like Fleming's and one hopes that more follow suit. As a wider public is tempted into equities, the risks, as well as the rewards, need to be spelled out.

before a big fall, in late August 1987, the prospective p/e ratio on its stocks was 16.9.

In other words, stocks are coming close to the sorts of valuations that in the past have warranted correcting, and correcting in a substantial fashion. Prices have climbed so high partly because of the billions of dollars flooding into equities from low-yielding short-term assets such as money market funds and bank certificates of deposit.

Yet stocks also look overvalued because in the past year investors built up their expectations of improved profitability so high, perhaps too high. This explains why stocks fell this week in spite of news of stronger earnings. Sure, profits have improved, but not enough to justify prices at these levels.

Equally important, investors are beginning to get the jitters about what will happen to earnings over the rest of the year. They worry that the economy, the upturn in corporate profitability over the last two quarters may prove to be only temporary.

Contrast the position with equities. If you had invested

of 4.7 per cent in the final quarter of 1992. It will certainly fall when first quarter 1993 growth is reported. Moreover, growth could slow even more in the second quarter if the pattern of March's economic numbers (retail sales, employment, industrial production and durable goods orders) were all weak last month.

If the pace of the economic recovery is slowing, then growth in corporate profits will slow too. That makes stock market valuations even more difficult to justify at current levels. Which is why a growing number of investors and analysts are feeling uncomfortable about equities.

As the Astrologers Fund, those analysts who forecast stock prices by the movements of the moon and the stars, put it at the top of their leaflet this week: "The Sky Is Falling".

**Patrick Harverson**

Monday	3465.59	- 11.62
Tuesday	3443.49	- 20.50
Wednesday	3439.44	- 4.44
Thursday	3429.17	- 10.27
Friday		

Economic growth hit a peak

Its brief history, since it went public, shows that St Ives has never made a bad acquisition. The timing of Burrows was mainly responsible for the disappointing second phase but, having been restructured, it proved a good buy.

Even the US subsidiary reversed a £278,000 first-half loss to a £304,000 profit for the half year to January 29. It should be making more, and Gavron believes it will.

The last phase of its history also shows that the company is capable of earnings growth without making acquisitions. It is also well managed as underlined by its financial position. Even after the adverse effect of currency movements primarily on its US debt, of £2.7m, it still ended the year with net cash of £12.6m.

Medium-term growth is likely to continue. The shares looked expensive in 1991 but continued to outperform over the next two years. It would be a mistake to buy the shares as a short-term gain. But the stock looks very attractive to anyone thinking of holding them for at least a few years.

## MARKETS

### Serious Money

# Spell out the risks as well as rewards

by Philip Coggan, personal finance editor

**HIGHLIGHTS OF THE WEEK**

	Price y/day	Change on week	1993 High	1993 Low
FT-SE 100 Index	2843.8	+19.4	2957.3	2737.6
FT-SE Mid 250 Index	3136.2	+93.4	3154.7	2876.3
Abbey National	395	+23	403	345
Alexion	103	+20	105	63
BPP Inds	231	+20	238	180
British Aerospace	318%	+44%	318%	165
Dixons	221	+26%	281	194%
Eurotunnel Units	425	-35	515	332
GUS A	1684	+101	1728	1563
Hammerson Prop. A	289	-40	382	245
Heath (CE)	311	-21	370	293
Lucas Inds	137xd	-9	152	126
Rolls-Royce	132	+9	139	99
Smiths Inds	357	+31	394	320
Wimpey (G)	182	+26	184	107

**AT A GLANCE**

**ICI**

Share price relative to the FT-A All-Share Index

**UK unemployment**

Change on month ('000)

**Jobless total falls for second month running**

Unemployment fell for the second month running in March, raising hopes that the recession is over. The seasonally adjusted jobless total fell by 26,000 to 2.94m. The Treasury said it was dangerous to read too much into any one month's figures and said it was still too early to say whether unemployment had peaked. The March drop in the seasonally adjusted total of people out of work followed a 30,000 drop in February and compared with City expectations of a 30,000 increase last month. The unadjusted jobless figure fell by 46,000 to 2.93m in March, below the politically important 3m mark.

**ICI's rollercoaster**

Imperial Chemical Industries, which this week published the pathfinder prospectus for the proposed demerger of Zeneca, has had a rollercoaster ride over the last four months. During mid-February, its shares suffered the same fate as those of the drug groups, as investors registered fears about healthcare reforms in the US, Germany and Italy. The turning point was reached when ICI's board announced it was going ahead with the Zeneca demerger, that it was guaranteeing the 1993 dividend at 55p, and was cutting 9,000 jobs. The shares rose sharply for most of March, until they fell back again on worries about effects of the slowdown of the continental economy on the chemical operations. From mid-April, ICI's shares recovered again, with strong buying from US investors convinced the group will benefit from any economic recovery and an improved performance from the healthcare sector.

**Increase in benefits**

Social security benefits increased this month. The Benefits Agency, which is part of the Department of Social Security, has updated its guides for 1993. The Family Benefits series of leaflets are aimed at helping customers around the maze of social security and NHS benefits. Leaflets range from subjects such as *Babies and Benefits* (FBB) to *Retiring* (FBR). Copies are available in local social security benefits offices or can be obtained by telephoning 0800 666555.

**Affinity credit card fee**

Bank of Scotland is charging its Affinity credit card holders an annual fee of £7.50. The fee will appear on the May statements of existing customers and will be charged after six months to new customers. "The point has come where we can no longer do it for free. We have to make it viable," said Bank of Scotland, which launched its affinity card in 1990.

Affinity cards allow the card holder to make donations to charities or professional associations on a give-as-you-spend basis.

**Nationwide postal account**

A new postal account is being launched on Monday by Nationwide building society. The minimum investment for opening InvestDirect is £2,000. The account pays a tiered rate of interest from 5 per cent gross on amounts up to £10,000 through to 6.7 per cent gross on £100,000 and above. Interest rate details are available by calling 0800 400417. The account comes with a cashcard for cash withdrawals. See p19.

**Smaller companies rally goes on**

Small company shares continued their 1993 rally this week. The Hoare Govett Smaller Companies Index (capital gains version) rose 1.6 per cent from 1373.89 to 1385.37 over the week to April 22.

**The Bottom Line / Roland Rudd**

## The lure of expensive paper

**St Ives**

Share price relative to the FT-A All-Share Index

October 1987. A lot of shareholders held on to their new shares until the price recovered and then sold, driving the price back down.

St Ives went on to make some small acquisitions in 1989, the last of which was a magazine printing company, which made a loss before being turned around last year. The financial printing market also collapsed and the company's shares steadily declined and lost their premium rating.

After October 1990 the group regained all of its lost ground. Its market capitalisation is now running at almost 80 per cent of their capacity and should soon run at full speed.

The next phase is likely to see the company return to the acquisition trail. With a high rating and a war chest

risks  
wards

new edition

the recession  
causing many people to reassess  
their priorities, gold cards  
came under increasing scrutiny.  
And with the recession still biting,  
the question arises:  
are they now more of a liability  
than an asset?

**H**AVING a gold card was a mark of wealth in the yuppie days of the 1980s. Producing one to pay for goods or services made its owner feel good; it signified that his income was above average, and offered high spending limits plus other perks.

But with the recession causing many people to reassess their priorities, gold cards came under increasing scrutiny. And with the recession still biting, the question arises: are they now more of a liability than an asset?

To qualify for a gold card, you must have income of at least £30,000 (although the minimum at Robert Fleming is £40,000 and usually £75,000 at Coutts) so that issuers know you have the means to settle any large bills. But that has not stopped some issuers running into substantial bad debt problems.

Last December, American Express halved - to £5,000 - the overdraft facility for its gold card customers and it has suspended the facility altogether for new customers, at least for the time being. Uncured lending above £2,500 also has been suspended for its green card customers in the UK.

Girobank has gone even further and last year withdrew its gold card for new customers altogether, although it says the reason was low demand.

Robert Fleming ties its gold card to its Premier account. Unusually, it does not charge an annual fee but there are no perks on the card other than an overdraft facility at preferential rates. "Our research showed us that there is a significant market which does not want all the travel-related services," the bank said.

Some banks offer two types of gold card because of an agreement with American Express. Lloyds and Royal Bank of Scotland are among those which offer their own gold Mastercard or a gold

American Express card.

#### ■ Charge cards

Most gold cards are charge cards where the balance has to be paid off in full within a certain period of receiving the statement. But some - including those of the Co-Operative, Lloyds and National Westminster - are credit cards.

The advantage of charge cards is that there is no pre-set spending limit; thus, you do

not reduce that to £90 if it is paid by direct debit.

But the annual fee is meant to be a charge for a whole range of perks. For many people, the most important of these will be the chance to borrow money at preferential rates and without the usual arrangement fee and other charges.

The box shows the rates offered on gold cards compared with standard authorised rates



of interest by the banks concerned. Some are better than others.

Barclays Premier quotes a preferential rate of 13.6 per cent (equivalent annual rate) compared with its standard rate of 19.2 EAR, but this is less favourable than, say, the 2.5 per cent over base rates offered by Bank of Scotland.

With base rates at 6 per cent, this means paying 8.5 per cent instead of Bank of Scotland's standard overdraft rate of 18 per cent.

The main disadvantage of charge cards is that they have a higher annual fee than the credit variety, mainly around £70-£85; Barclays has just raised its levy from £70 to £80. Coutts charges £120, but

the perks are travel-related. But some of these are more useful than others.

The fine print on Amex's travel accident insurance shows that it applies only to those "who are involved in an accident while travelling on a public conveyance." But compensation for luggage delays or losses, and a refund of money spent on a holiday when the travel company fails, are attractive benefits.

Another good perk - which is offered by most gold cards - is purchase protection for goods bought with the card, usually for 90 days.

There is the convenience, too, of being able to make cash withdrawals abroad and

obtaining cash advances from member banks at home, although most banks charge a 1.5 per cent handling fee on such advances. And gold cards often act as cheque guarantee cards for amounts (mostly) up to £250.

Some issuers have an emergency replacement service for lost or stolen cards. But charge cards are not usually covered by the Consumer Credit Act, which limits the cardholder's liability to £50.

Most issuers of charge cards promise their cardholder protection if their card is lost or stolen but cardholders are not covered by law should they fall into dispute with the issuer.

#### ■ Credit cards

These cards have lower annual fees but do not offer the same range of benefits as charge-card gold cards. The Co-Operative has now issued 175,000 gold credit cards, much of the business stemming from its pledge never to introduce an annual fee.

Customers at Lloyds and National Westminster banks have the option of a "gold" bank account service which will offer a full range of perks for a higher annual fee. This type of account is offered also by the Royal Bank of Scotland.

Neither NatWest nor Lloyds offers a preferential overdraft rate on the gold card alone. Lloyds bank withdrew the facility last October, it says it wanted to avoid duplication with its gold service bank account. The preferential overdraft rate at the Co-Operative is only just over two percentage points lower than its standard rate.

The main advantage of these gold cards is that the minimum monthly credit limit is high even if it is not unlimited, and the cards do carry some travel-related perks. But if you possess a gold card out of habit, now could be the time to review how often you use its perks. This way, you can judge if it is worth paying the annual charges.

Another good perk - which is offered by most gold cards - is purchase protection for goods bought with the card, usually for 90 days.

The preferential rates offered directly by Amex are particularly unappealing, although the company says it will be offering a new tiered structure by the end of the year to bene-

fit those gold card customers who have a good credit history. Preferential interest rates on Amex gold cards issued by other banks are cheaper: the rate on a Royal Bank of Scotland Ameri gold card is 8.7 APR.

While the perks on gold cards are many and varied, issuers have long assumed that holders - because of their incomes - tend to be frequent air travellers; thus, many of

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#### What the gold cards offer you

##### CHARGE CARDS

###### American Express Gold card

Annual fee: £25; additional card: £35 a year  
Interest rate: 2.5pc per month on overdue sums 40 days after statement date; maximum 3pc 60 days after statement date. Perks include:

- Loan facility charged at 22.4 APR on £1-5,000; 21.8 APR on £5,001-10,000 and 15.3 APR on £10,000 plus.
- Purchases covered for 90 days to £20,000 max.

● Travel accident insurance up to £250,000.

Insurance for flight delays (£400 max), luggage delays (£200 max), lost luggage (£400 max); refund if travel company fails.

● Travel service, commission-free travellers cheques (£100 max).

● 24 hour emergency card replacement service.

● Worldwide medical or legal emergency service.

● Liability limited to £20 if card lost or stolen.

● Cash withdrawal facility of up to £1,000 max.

● Travellers cheques and forex can be ordered by phone and posted to customer, subject to 1.5 pc handling fee; free travel service.

Royal Bank of Scotland Gold (Mastercard)

Annual fee: £70; additional card: Free  
Interest rate: 3 pc per month on account not settled within 28 days of the statement date. Perks include:

- Overdraft facility of up to £2,500 at 2.5pc over base rate (authorised overdraft rate 17.4 APR).
- Cash machine withdrawal up to £1,000 a week in UK and £350 in local currency abroad; £350 cheque card guarantee for encashment.
- Limited liability of £50 if card lost or stolen abroad.

● Purchase protection to 30 days to £10,000 max.

Travel accident insurance up to £250,000.

Insurance for flight delay (£400 max), luggage delay (£200 max), lost luggage (£400 max); refund if travel company fails.

● Travel service, commission-free travellers cheques (£100 max).

● 24 hour emergency card replacement service.

● Worldwide medical or legal emergency service.

● Travellers cheques and forex can be ordered by phone and posted to customer, subject to 1.5 pc handling fee; free travel service.

Robert Fleming Premier (Visa)

Annual fee: £25; additional card: £10  
Interest rate: 1.5 pc per month if the account is not settled within 25 days of the statement date. Perks include:

- Cash machine withdrawals to £300 max a day in UK and £350 max abroad.
- Emergency replacement card service.
- Liability limited to £50 if card reported lost or stolen.
- Free travel accident cover of up to £50,000.

Barclays Premier card (Visa)

Annual fee: £20; Additional card: £10  
Interest rate: 3 per cent per month if account not settled by 14 days after statement date. Perks include:

- Overdraft facility of £2,500-£5,000 at 13.6 EAR (authorised overdraft rate 19.2 EAR).
- Purchase cover insurance to £50,000 max pa.
- Cash advances and withdrawals of £500 max; £100 cheque card.
- Free safe custody of dead boxes at bank branches.
- Free travel service; travellers cheques and forex can be ordered by phone and delivered by registered post.

Travel accident insurance up to £250,000.

Inconvenience insurance due to delayed luggage (£400 max) or travel delay (£200 max); Worldwide medical or legal emergency service.

● Lost card replacement service and emergency cash advance of up to £5,000 in local currency.

● Emergency card replacement service with emergency credit of up to £750.

● Travel accident insurance up to £250,000.

Insurance for luggage delay (£400 max), lost luggage (£2,500 max), personal money, travellers cheques loss (£500 max), emergency medical expenses (£2m max), travel delay (£250 max); Worldwide medical emergency service.

Lloyds Bank Gold card (Mastercard)

Annual fee: £40; additional card: £10  
Interest rate: 15.8 APR. Perks include:

- £2,500 minimum credit limit.
- Commission-free currency and travellers cheques (£100 max loan rate 25.9 APR).
- Cash machine withdrawal of up to £1,000 per week in UK and £350 per day abroad; £250 cheque card.

● Lost or stolen card replacement service with emergency credit of up to £750.

● Travel accident insurance up to £250,000.

Insurance for luggage delay (£400 max), lost luggage (£2,500 max), personal money, travellers cheques loss (£500 max), emergency medical expenses (£2m max), travel delay (£250 max); Worldwide medical emergency service.

NatWest Visa Gold

Annual fee: £35; additional card: Free  
Interest rate: 19.8 APR. Perks include:

- Minimum credit limit of £2,500.
- Cash withdrawal of £500 a week.
- Travel accident insurance of up to £75,000;

over the life of each policy. But estimates of any pool's embedded value will vary greatly depending on actuarial assumptions about such things as morbidity, investment returns and expenses.

All these are reasons why policyholders can take considerable comfort from the deal, but there are some nagging concerns.

First, shareholders may well ask if the price is fair - a question that stumps even the experts. Aegon is injecting £240m into the unit-linked portion of the business, which should help it become more profitable overall. Policyholders may find they have a smaller slice of a much larger pie with no resulting loss in profit.

Also, policyholders effectively will be paid for the share of the profits

they are surrendering through a one-off bonus, likely to be roughly 40 per cent of one year's bonus payment.

It is not possible to determine if the embedded value is realistic without reading the full actuarial valuation, and SE is not required to give that to policyholders - although it might choose to do so.

A voting trust will look after the interests of with-profits policyholders and will have the right to name directors of the overall organisation.

It will have a "golden share" in that it can restrict certain kinds of actions by the main board.

But should the with-profits pool fall below 20 per cent of all business, the golden share will cease, although the trust will continue to administer the affairs of the pool.

## FINANCE AND THE FAMILY

# Private investors urged to buy gilts

*Bank of England spreads the message as latest £3bn auction approaches, reports Philip Coggan*

**T**HE BANK of England is making special efforts to encourage private investors to take part in its latest auction of £3bn worth of gilts. The stock on offer pays a coupon (interest rate) of 7.25 per cent and will be redeemed in five years.

The Bank has been encouraged by the response to its recent booklet\* on the gilt market for which it received 60,000 written or telephoned requests. Private investors are turning to gilts because many issues can offer returns higher than those available from building societies.

A special shortened prospectus for the issue will appear in national newspapers, designed for the use of private investors. The auction is divided into two: competitive bids (for the institutions) and non-competitive

(for private investors). In the first, institutions will bid for the stock at a price of their choosing. The Bank will then accept the highest bids and allocate the stock accordingly.

Obviously, it would be difficult for private investors to go through this process. Instead, they are allocated stock at the weighted average of the prices achieved in the competitive tender.

Although this saves them from some tricky guesstwork, it does mean they have to apply for stock without knowing the price they will pay. And the process is all the more complicated because the stock is issued in partly-paid form - two chunks worth £50 apiece.

The minimum non-competitive application allowed is for £1,000 nominal of stock (the maximum is

£50,000). But because of the partly-paid aspect, investors must send a cheque to the value of £53 for every £100 nominal - so the smallest cheque you can send is £530.

If the price achieved in the auction is £51 per £100, investors will be entitled to a refund. But they will then face a bill for the second payment - a further £50 for every £100 nominal by May 20.

In other words, you send the Bank some money, it sends you some back - and then you send it some more. If the government really wants to encourage private investors to buy gilts, they could tidy up this ridiculous convoluted process.

Those who want to apply (the easiest way is to use one of the forms in the newspapers) will need to hurry. Applications must be sent to the Bank

of England, New Issues, P.O. Box 444, Gloucester GL1 1NP, to arrive no later than 10 am on Wednesday April 28. Cheques must be made out to the Bank of England and crossed "New issues".

The advantage of investing in a new issue is that you avoid paying commission. You can also buy stock reasonably near to face value (many gilts are trading well above it) so that, if you hold the stock until maturity, you will incur only a minimal capital loss.

Investors can have the stock placed on the National Savings register so that income can be paid gross. A more fundamental question is whether it makes sense to buy the issue. Although the coupon is 7.25 per cent, the chances are that investors will have to pay a fraction above face value - bringing the redemption yield

down to 7 per cent. For basic-rate taxpayers, the running yield will be around 5.37 per cent - that compares with the 6.85 per cent net yield on £50,000 quoted by *Moneyfacts* for the best guaranteed income bond over the same period. Obviously, a GIB is higher risk (although the Policyholders Protection Act safeguards 90 per cent of the investment) and is not a liquid security.

Much also depends on whether you believe interest rates will remain at low levels for five years. If they do not, you could be locked into a low-yielding investment. Even if you sell the gilt in the interim, you might not get what you paid for it.

*"Investing in Gilts: a Guide for the Small Investor. Available from post offices or from the Bank of England on 0800-616-514.*

**A**BBEY National is to charge its customers for withdrawals from cash machines belonging to other members of the Link network. The fee will be 60p a time but there will be no charge for balance enquiries.

The measure, to take effect from June 7, applies only to those people with savings accounts and not to Abbey's current account customers.

The society says that less than 4 per cent of its customers will be affected.

John Berry, the marketing director, explained: "The cost

## Abbey closes a missing Link

*Clients face charge for withdrawals, says Scheherazade Daneshkhah*

of processing customer transactions from non-Abbey

National cash machines is currently borne by all of our customers and has risen considerably over the last few years.

The new charge is simply a way of ensuring that the majority of customers are not faced with the prospect of continued cross-subsidisation.

When a Link cardholder

withdraws money from the cash machine of another bank or building society, the card issuer has to pay 43p to that bank or society plus another "few pennies" to Link itself.

Halifax, which joined the Link network in July 1989, has charged its customers for making withdrawals from non-Halifax machines from the beginning. The Link withdrawal

facility is provided on Halifax's Maxim current account and its Card cash account. The society says that since it has 1,500 machines, it decided its own customers would never be far from one. The cost is 60p per withdrawal.

Nationwide, which this week entered the postal account market dominated by the banks, has introduced a cash

withdrawal facility on the new account. Customers will be able to use the society's 730 machines to make a maximum withdrawal of £250 a day but they will be charged 50p for doing so. The charge for making withdrawals from other Link member machines will be £1.

Nationwide says that although it has highlighted the

cash withdrawal facility on the postal account, it is not designed to be (in the jargon) a transaction account but a high-interest postal account. "The charge is designed to reinforce that distinction. We don't encourage people to use it on a daily basis. It is there for peace of mind," adds Nationwide.

The society is considering introducing charges for customers of its other accounts with a Link card facility who use another society's Link machine. "The move by Abbey National will colour our thinking," Nationwide says.

## News in Brief

**A SPATE** of new fixed-rate mortgage offers came on the market this week, and Abbey National is offering two of them.

One is 8.89 per cent (8.2 apr) until October 31 1994; the other is 8.99 per cent (8.9 apr) until the end of January 2000. Both are offered on all types of mortgage and are portable.

There is a £250 non-refundable booking charge. Early redemption penalties are 60 days' interest for the former and 210 days' interest on the latter.

Nationwide has extended its two-year, fixed-rate mortgage to apply to all borrowers instead of only first-time buyers. The rate is fixed at 5.75 per cent in the first year and 6.75 per cent in the second (8.2 apr).

The maximum advance is 90 per cent of the property's value but borrowers must take out the society's mortgage payment cover policy.

The rate is available on endowment, pension and repayment loans and the arrangement fee is £195, with a penalty of six months' interest if the loan is redeemed in the first year and four months' in the second.

A three-year rate of 7.69 per cent (8.3 apr), fixed until June 30 1996, has been launched by Bradford & Bingley.

It is available on all types of mortgage but customers will have to take out two insurance-related products from the society. The booking fee on loans up to £100,000 is £295, and 0.3 per cent on higher amounts. The

early redemption penalty is three months.

**A survey** by the Alliance & Leicestershire building society shows that nearly 700 home-owners would like to move house. The results, released this week, follow research carried out before the Budget.

A quarter of those questioned - or 1.7m - believe they are likely to move within the next year; this compares with 1.3m who moved in 1992. More than one-third said they could not afford to move but over half overestimated present mortgage rates.

"This is like a dam waiting to burst," said Peter White, group chief executive. "Factors holding people back include the effects of the econ-

omy, lack of job security and, surprisingly, the fact that many don't realise how cheap mortgages have become."

**A** new edition of the *Pep Performance Guide* has been issued by Chase de Vere. The charts, which are published quarterly, cover the period to April 1 1993. Around 600 unit and investment trust Pepas are listed, together with those single company Pepas where the underlying share is quoted on the FTSE 100.

The leading unit trust Pep over three years is the Pep Progressive Accumulation managed by St James's Place. It is followed by Peter's High Income Pep, Schroder's Enterprise Pep, Newton's General Performance Pep, and Perpetual's Pep Growth & Income.

In the investment trust sector, the five top performers were Ivory & Son with its Personal Assets Pep, followed by River & Mercantile's Stepped Preference Pep, Murrays General Consolidated Stepped Preference Pep, Law Debenture's Pep and TRC of London Pep.

Chase de Vere singled out Perpetual's performance as standing out for its consistency throughout the charts.

**Pep Performance Charts**, second edition, from Chase de Vere Investments, 63 Lincoln's Inn Fields, London WC2A 3JX. Free with PEPGUIDE (£9.95 incl. p&p) or £2 (incl. p&p) to existing PEP GUIDE holders.

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## Investing in a 'cocktail'

*Scheherazade Daneshkhoo looks at international bond funds*

**S**OME INVESTORS who want fixed incomes may well be looking beyond the UK. They could, for instance, be pessimistic about the outlook for gilt returns, believing the scope for further British interest rate cuts is limited and that the market will be flooded with a new supply of gilts.

International bond funds deal in bonds issued by other governments and foreign corporations. Net sales funds totalled £191.5m last year, attesting to their popularity.

The table, produced from *Microfot*, shows the 10 largest international bond unit trusts with one-year performance figures. Schroder's Global bond fund is one of the 10 largest in the sector, but lacks a one-year record and is not included. The largest is Mercury Asset Management's Global bond fund, which has grown to more than £252m since its launch in January 1991.

Richard Royds, managing director of Mercury Fund Managers, says an international bond fund makes money for its investors in a "cocktail" of ways. It should find a market that offers the prospect for capital growth; it should aim for a reasonable yield to provide income for investors; and it should make money out of currency trading.

Investing in bonds denominated in a foreign currency does, of course, involve an extra layer of risk. If sterling rises against other currencies, the value of overseas bonds will fall in sterling terms. But sterling's decline late in 1992 means that the one-year performance figures shown in the table are higher than the investor would normally expect.

The average growth rate for the sector was 21.2 per cent and the top 10 funds, listed by size, all either matched or beat the sector average - with the exception of Providence Capitol's Worldwide bond trust. It says the reason was its limited exposure to Japan, which

pushed up the yield on the fund but, given the yen's strength, resulted in lower performance.

At present, Mercury's Global bond fund is split geographically between 29 per cent in gilts, 27 per cent in Japan, 18 per cent in Spain, 12 per cent in France, 10 per cent in the US and 5 per cent in Australia. Royds says the Japanese exposure is a currency ploy, and US bonds are in favour because the company believes the dollar will strengthen against its present sterling level.

Managers see European bonds as particularly attractive because interest rates, while higher on the Continent than the UK, are expected to fall.

The slide towards lower rates has begun, with the recent cut in France, but has yet to

extend to high-yielding European government bond markets such as Italy and Spain.

Funds holding the high-yielding bond markets expect to make substantial capital gains as interest rates drop. Barclays Unicorn launched a European bond fund in January to take advantage of high real yields in Europe - with the hope of capital gain if/when German base rates are cut.

Some funds aim solely to provide capital growth. Beckman International, with a yield of 3.3 per cent in the year to April 1, is an accumulator fund which re-invests income automatically to provide capital gains.

Investors should not be seduced by high yields but should look at performance and charges. The standard fee is 5 per cent initial and 1 per cent annual. But there is a good deal of variation.

Mercury, for instance, has lowered its initial charge temporarily from 5 per cent to 4 per cent until July. Its annual charge is 1 per cent. The initial charge on Barclays Unicorn European fund is 3.5 per cent and 0.75 per cent annual.

■ Next: Offshore bond funds

Largest 10 International bond funds			
Fund	Size (£m)	Yield (%)	Perf*
Mercury Global Bond	252.8	5.65	24.0
Baring Global Bond	165.3	7.20	22.1
Perpetual Global Bond	64.8	6.92	19.9
Beckman International	40.6	3.00	23.3
Fidelity Int'l Bond	35.0	6.30	22.1
Norwich Int'l Bond	28.2	6.19	23.4
Prov Cst Worldwide Bond	27.4	6.52	18.1
Carrington Int'l Curr Bond	21.5	5.12	21.9
S&P Int'l Bond	21.4	5.66	23.6
Gartmore Global Bond	20.9	5.67	21.4
Sector average	28.2	6.0	21.2

Source: Microfot. \* As of April 1. \* Offer-to-bid with net income reinvested over year to April 1. Funds without one year record are excluded.

### Directors' Transactions

MOST OF THE trading activity by directors last week involved sales, and one-third of such transactions concerned the exercise and sale of options.

Philip Kay, the chief executive of City Centre Restaurants, sold 2m shares at 62p. He has halved his holding over the past year but retains 4m.

John Asprey, chairman of the goldsmith and jeweller Asprey, and managing director Naim Attallah sold 135,000 shares from their jointly-held Namara Retirement Fund at 23p. The shares were bought back in August 1992 for 182p. Asprey still holds 49 per cent of the company and Attallah also retains a sizeable stake.

Keith Bradshaw, the chairman of Takare, the health care group, and Doversock Pritchard, the deputy chairman and managing director, sold 200,000 shares each to pay tax liabilities on sales made in September 1992, and on loans taken out to buy shares in the rights issue of September 1991. Both directors retain 11,156,056 each.

Colin Rogers, Director Ltd

### DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Aba	Elec	10,000	13	1*
Asprey	Stor	135,000	382	1
Bilton	Prop	325,192	1,707	5*
Citycentre Rest	HAL	2,000,000	1,640	1
First Leisure	HAL	8,000	29	1
Hogg Group	InseB	11,889	23	1
Inchcape	BusSe	212,250	1,284	1*
Lambert Howarth	Misc	5,000	19	1
Lloyd's Bank	Bank	4,000	21	1
Martin Int'l	Text	50,000	45	1*
Menier Swan	Elec	20,000	121	1
Microgen Holdings	Pack	20,000	38	1
Pitco Holdings	Elect	11,253	488	1
Rockit & Coleman	Hldg	1,700	10	1
Shell Trans	OFG	183,000	1,073	2*
Shred-it (Wm)	Misc	11,000	28	2
Smith Nephew	OffH	10,000	22	1
Starkey Publishing	Med	100,000	115	1*
Telxon	Hldg	400,000	940	2
Unilever	Food	16,380	182	1
Whmpay (George)	C&C	6,862	10	2
<b>PURCHASES</b>				
Drayton Far East	InTr	600,000	880	1
Erwin	Prop	75,000	34	1
IMI	EngG	9,000	25	1
Park Food Group	Food	8,020	17	2
Sheldon Jones	FdMa	40,000	18	1
Style (Ltd vng)	Stor	10,000	13	1
United Industries	Med	131,708	28	1
Wace Group	Pack	25,000	25	1
Wellcome	Hldg	2,000	14	2

Values expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (\*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 13-16 April 1993.

Source: Directors Ltd, The Inside Track, Edinburgh

**M**ORE THAN 1m people are taking part in profit-related pay schemes, according to the government. This week, it launched a booklet publicising the various tax-efficient plans which encourage employees to help in promoting the financial health of their companies.

Profit-related pay, or PRP, is just one of the schemes mentioned in the booklet. All told, one fifth of the workforce is now covered by some kind of financial participation scheme. The main types are:

■ Profit-related pay PRP schemes link part of an employee's earnings to the profitability of the company for which he works.

If it is a registered scheme, PRP is tax-free up to a limit of 20 per cent of pay or £4,000, whichever is the lower. The costs incurred by a company in setting up such a scheme are tax-deductible.

David Cohen, of City lawyer Paisner & Co., says many recent schemes have asked employees to sacrifice part of their basic pay in order to qualify for the profit-related element. The government believes PRP will encourage flexibility in pay levels and improve the labour market in the long run.

■ Profit-sharing schemes A trust is set up by a company to which it gives cash (often

based on the group's profits); the money is tax-deductible for the first five years.

The trust uses it to buy shares which it allocates free to employees who, so long as they hold the shares for at least five years, will not have to pay income tax on the proceeds. But capital gains tax

### Employee Share Schemes

## Workers with a stake in success

**P**hilip Coggan explains how staff can promote their own company

can be payable, based on the increase over the initial value of the shares.

■ Discretionary share option schemes

These tend to be known as executive schemes, since they can be offered to selected employees. Executives are allocated options at a fixed price and pay with their own money. If they are held for three years, profits are not liable to income tax. But CGT is payable, based on the difference between the option and sale prices.

■ SAYE share option schemes

Employees can put aside up to £250 a month for five to seven years. The sum saved is deposited with a bank, building society or with National Savings and earns tax-free interest (in the form of a terminal bonus). At the end of the period chosen, the employee can either

■ Employee share ownership plans

A company sets up a trust which acquires and distributes shares to existing employees. Payments by the company to the trust qualify for corporation tax relief. Cohen says these trusts are designed for longer-term ownership, but do not have the same tax advantages for employees as a profit-sharing trust (although the two can be used in tandem).

The idea behind all these schemes is that, if workers have a stake in their employer, they will be motivated to work harder (and less likely to go on strike). As far as the employees are concerned, such schemes are normally paid on top of their basic salary - and any extra money (especially in a tax-free form) is welcome.

The SAYE scheme, although it involves investing your own money, is regarded generally as a highly attractive investment provided you can maintain your holding for the minimum of five years.

After the qualifying period is up, employees must decide



whether to hold their shares or exchange them for cash. The danger is that if the employer goes bust, they could not only lose their job but the bulk of their savings as well.

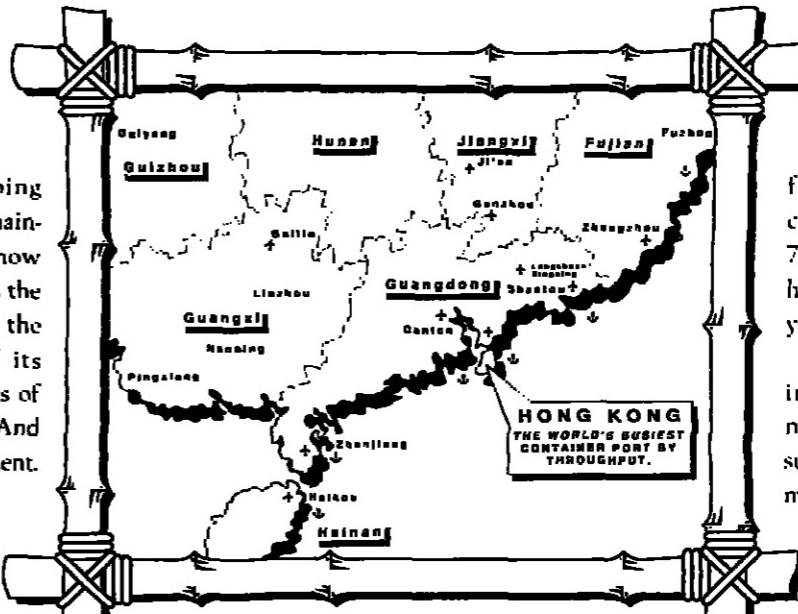
On the other hand, shares tend to outperform the building society in the long run. If you have savings elsewhere, and you are confident about your company's financial strength, then a shareholding could be a very profitable long-term investment.

Shares acquired through an approved option scheme can be transferred directly into a sin-

BONUS OFFER  
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Of all the developing countries situated around mainland China (the Chinese know them as 'tigers') Hong Kong is the best placed to benefit from the phenomenal expansion of its neighbour's economy. In terms of location, financial expertise and resources available for investment.

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Guinness Flight's Hong Kong Fund, with its excellent track record, allows investors to tap into and benefit from China's potential for massive growth.

There are clear signs that a major shift in economic activity from west to east is now taking place, with China at the epicentre.

FACT Labour costs - less than 5% of USA's.

FACT Investment - in Guangdong. Hong Kong businesses account for over 80% of the 14,000 direct foreign investment projects.

FACT Growth - Guangdong registered 24% p.a. industrial output growth between 1985 - 90.

Exports grew by 37% in the first seven months of 1992.

We believe that the benefits of fundamental changes in the way China's economy operates will outweigh any problems from short-term political or economic turbulence caused by the handover of the Colony in 1997.

The performance of our Hong Kong Fund has been excellent. Last year,

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### BONUS DISCOUNT OFFER

Investment Size	Discount	Initial Charge after Bonus Discount
£15,000 - £24,999	1.8%	3.2

## FINANCE AND THE FAMILY

# Unitised plans: are savers getting a raw deal?

*Millions are buying them but there are growing concerns over their complexity and how they are being marketed, says Barry Riley*

**O**N MONDAY, a select group of learned actuaries will gather in Staple Inn Hall to debate the subject of so-called unitised with-profits (UWP) contracts. These are not just of academic interest - they are being bought by millions of savers every year.

Some fear that marketing men may have created unrealistic expectations among policyholders, and many believe UWP products should be designed more consistently.

Actuaries are concerned because they are the professionals responsible primarily for the soundness of life assurance companies. Many of these life offices are now marketing UWP plans to supplement or replace the traditional with-profits contracts which have been around, in various forms, for over a century.

Unitised plans have been marketed only since the mid-1980s, but are mushrooming. If you have bought any kind of with-profits bond - a form of single-premium life assurance savings contract - it falls into this category. Most of the personal pension plans taken out recently are also unitised.

Under a unitised with profits policy, the investor buys units, on which bonuses are added each year rather than as with a conventional with profits policy, to the sum assured. The idea is that the investor finds it easier to understand the policy and there is less of a strain on the insurance company's reserves in the early years.

Regular-premium endowment plans continue more often to be traditional than unitised but Standard Life, the market leader, has switched all its mortgage endowments to the unitised structure.

Actuaries want to be sure that these contracts are based soundly so that where they offer investment guarantees, there is no risk that freak conditions could involve the company in big losses.

The public probably need not worry about such matters, but there are more general worries. Chiefly, these concern the sheer complexity and unpredictability of UWP products. Even the companies which designed and introduced them may not be sure how all their features will be applied over the long term. Some time bombs may be ticking.

The ultimate danger is that people will find they have bought a pig in a poke. A with-profits contract is designed to permit normal investment risks to be smoothed out, but the risks cannot be eliminated completely - not unless they are borne, possibly unfairly, by other types of policyholders.

Actuaries are committed to satisfy the "reasonable expectations" of policyholders. But unless these

Froggatt from Bacon & Woodrow, an independent firm of consulting actuaries. (This is, incidentally, the same firm which upset the industry recently by saying that with-profits personal pension plans should not be touched with a bargepole at present because companies have been paying out too much in bonuses).

Over the next few years, B&W says, companies will have to rebuild their reserves and returns will be

largely uncharted field.

Why has the life industry switched away from traditional with-profits contracts to the unitised form? There are several reasons, according to O'Neill and Froggatt, who say:

■ A desire to apply the smoothed with-profits approach to single-premium (lump sum) investments led to the introduction of with-profits bonds.

■ Some companies have been running short of capital, and unitised plans tie up fewer reserves than traditional with-profits contracts, at least in the early stages.

Ultimately, though, there is no magic in UWP contracts. Volatile investment returns cannot be smoothed out completely, and there must from time to time be losers as well as winners among the policyholders (which is why B&W has told its clients to avoid with-profits bonds).

As for the marketing hype, the life assurance regulator, Lautro, has reprimanded several life offices selling with-profits bonds for not making it clear enough that bonuses and capital values can go down.

Thus, controversy surrounds the notorious market value adjusters (sometimes called market value adjustment factors) which are part of the small print of UWP plans.

Life offices have the right to apply

**Actuaries want to be sure that contracts are based soundly so that there is no risk of freak conditions causing losses**

unitised plans are knocked into some sort of consistent order, and are explained properly to investors, it will be hard - perhaps impossible

- to define what a reasonable expectation might be. If millions of savers are disappointed because of some future stock market crash, the reputation of the life industry could be damaged seriously.

Two separate documents will be discussed on Monday. The main attention will focus on a paper produced by John O'Neill and Howard

better on the alternative form of contract, the unit-linked plans which are invested directly in underlying portfolios.

The other document is the report of a working party of the English and Scottish actuarial institutes. This will comment on the results of a survey of leading life offices. Unfortunately, it will not be published until Monday, but the chairman of the working party, David Purchase, said it had thrown up some interesting material, in a

■ Bonuses on traditional with-profits contracts are having to be cut.

Unfitted products have been seen by some offices as a way of starting again, with bonuses initially at a lower level.

■ Traditional contracts were fine for constant premiums but were hard to adapt to personal pensions where premiums often vary substantially with earnings. Unitised plans were seen as the answer.

■ Companies wish to offer policyholders the option of switching

an MVA in difficult investment conditions - jargon for saying that the cash-in-unit value of with-profit bonds and other UWP products may be cut, so savers could get back less than they put in.

Exactly when should MVAs be imposed, though? "An office needs not only to use its MVA appropriately but also to make sure that its policyholders are aware of the use," say O'Neill and Froggatt.

Purchase also is concerned that market practice on MVAs is too vague for policyholders. "This is an area where the actuarial profession should be giving some guidance," he says.

O'Neill and Froggatt say, somewhat surprisingly, that few offices have actually applied MVAs so far. Others suggest that write-downs have been comparatively common, although MVAs may be applied to different types of policy in different ways.

Despite the doubts, however, O'Neill and Froggatt say that UWP contracts potentially are more transparent and open than traditional with-profits plans. Like it or not, UWP is here to stay.

## Endowments - your inflexible friend

**T**HE STOCK market might have had a good year in 1992 but with-profits policyholders could be forgiven for not noticing. A wave of bonus cuts across the sector means that most investors will receive less than those who cashed in policies one year ago.

A survey by *Money Marketing*, conducted with actuary Clay & Partners, found that the average payout on a 10-year endowment policy fell 8.3 per cent from £2,230 to £7,603. Payouts on 25-year endowment policies, the kind often used to repay a mortgage, fell less sharply: 1 per cent, from £27,937 to £27,585. (For the assumptions, see footnotes to the table). Meanwhile, the FT-A All-Share index rose 15 per cent over the year to March 1.

What is the reason for this apparent discrepancy? The prime cause is a malfunction of the "smoothing" process which

is one of the main selling points of with-profits policies.

Such policies pay two kinds of bonuses - reversionary (or annual) which are paid every year, and terminal, which are paid at the end of the policy's lifetime. The reversionary bonuses, once paid, cannot be withdrawn. The idea is that the steady build-up of bonuses prevents investors from being hurt by the wild swings of the stock market. Any excess growth can be paid in the form of the terminal bonus.

The system went wrong in 1990 - a bad year for investment returns worldwide. Competitive pressures, and an optimistic view of future returns, caused companies to maintain bonuses at unrealistically high levels. Lower economic growth and interest rates since then have forced companies to take a more sober view.

In effect, those whose policies matured in 1990 and 1991 received an unjustified wind-

fall; present policyholders are paying the price.

The conclusion of the survey is that the trend of falling payouts could continue for some years.

That said, insurance companies can point out that those who have maintained their policies until the termination date have received healthy investment returns. The *Money Mar-*

*ket* survey, published late in 1991, showed that 23 per cent of with-profits policies were surrendered in the first two years. Most of those policyholders will have lost a large part of their premiums. The industry attacked the survey's methodology but later admitted that early surrenders were too high.

The *Money Marketing* sur-

vey deliver after 24 years is 92 and 91 per cent respectively.

But this is not so at Royal Insurance, which pays just 50 per cent of the final proceeds after 24 years. On the *Money Marketing* assumptions, this would cost the policyholder almost £18,500. There is an argument that policies should be designed to discourage short-term investors but anyone who has stuck it out for 24 years is hardly a fly-by-nighter.

The good news, at least, is that the industry seems to be recognising the injustice of this and improving late surrender values. The average surrender value after 24 years actually increased 4.5 per cent last year, even though final payouts were falling.

A related issue is the percentage of final payout which consists of the terminal bonus. The higher the percentage, the more risky the policy. The table shows payouts with and without this bonus.

Commercial Union comes out ahead, if terminal bonuses are excluded, over both 10 and 25 years (and, indeed, the 15- and 20-year periods as well). If the terminal bonuses are included, then General Accident takes over from Standard Life as the top-paying company over 25 years. Royal London, which is top over 10 years, had not announced its payout by March 1, the end-date for the

1991 survey.

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### ADVERTISEMENT

#### BUILDING SOCIETY INVESTMENT TERMS

Name & Society	Product	Starts	Ends	Mkt	Int	Interest	Minimum	Access and other details
Alliance & Leicester	Invest 90	£25	£30	£15	6.15	Yield	£100	20 days notice/loss 10%
	Invest 90	£25	£25	-	-	Yield	£10	20 days notice/loss 10%
	Invest	£40	£40	£10	6.10	Yield	£100	20 days notice/loss 10%
	Instant Access	£20	£20	£10	5.10	3.90	£100	Yield
	Second Plus	£10	£10	£10	5.00	3.90	£100	Yield
	Maximiser	£25	£25	£10	5.00	5.00	£100	Yield
	First Class Int	£7.50	£7.50	£5.00	5.00	5.00	£100	Yield
	Maximiser Plus	£7.50	£7.50	£5.00	5.00	5.00	£100	Yield
	Maximiser Plus 2	£7.50	£7.50	£5.00	5.00	5.00	£100	Yield
	Maximiser Special Acc	£5.00	£5.00	£3.50	4.35	3.90	£100	Yield
	Max High Life II Term	£7.50	£7.50	-	-	Yield	£100	Yield
	Max Vintages 3 Bond	£2.50	£2.50	£1.44	5.44	5.44	£100	Yield
	Max Vintages 3 Bond	£4.50	£4.50	£2.70	5.40	5.40	£100	Yield
	Max Vintages 3 Bond	£6.00	£6.00	£3.60	5.40	5.40	£100	Yield
	Jubilee Bond II	£7.50	£7.50	£5.00	5.00	5.00	£100	Yield
	'91 Shares	£1.00	£1.00	£0.60	4.90	4.90	£100	Annual
	Giltedge	£1.00	£1.00	£0.60	4.97	4.97	£100	Yield
	London Deposit Acc	£2.00	£2.00	£1.20	5.40	5.40	£100	Yield
	Best 90 (Closed Issue)	£4.55	£4.55	£2.65	6.02	6.02	£100	Yield
	Monthly Income	£4.55	£4.55	£2.65	6.12	6.12	£100	Yield
	90 Day	£7.00	£7.00	£3.25	5.25	5.25	£100	Yield
	Instant Options	£4.50	£4.50	£2.65	4.47	4.47	£100	Yield
	Two Year Plus	£7.00	£7.00	£3.25	5.85	5.85	£100	Yield
	Extra Interest	£1.00	£1.00	£0.60	4.67	4.67	£100	Yield
	Premium Xtra	£7.50	£7.50	£3.51	5.51	5.51	£100	Yield
	Premium Xtra	£7.20	£7.20	£3.49	5.49	5.49	£100	Yield
	Premium Xtra	£6.90	£6.90	£3.25	5.18	5.18	£100	Yield
	Premium Xtra	£6.55	£6.55	£3.25	4.91	4.91	£100	Yield
	Xtra	£7.50	£7.50	-	-	Yield	£100	Yield
	Capital Bond	£7.75	£7.75	£3.51	5.81	5.81	£100	30 April
	Term	£7.50	£7.50	£3.25	5.30	5.30	£100	30 April
	Gold Access	£4.00	£4.00	£2.40	4.50	4.50	£100	31 Dec
	Barclays Gold	£2.00	£2.00	£1.00	4.50	4.50	£100	Annual
	Barclays Gold	£2.70	£2.70	£1.40	4.50	4.50	£100	Annual
	Liquid Gold	£4.00	£4.00	£2.40	4.20	4.20	£100	Annual
	Solid Gold	£4.75	£4.75	£2.40	4.20	4.20	£100	Annual
	Solid Gold	£4.25	£4.25	£2.40	4.20	4.20	£100	Annual
	Reflexion 60	£4.00	£4.00	£2.40	4.00	4.00	£100	Yield
	Reflexion 60	£7.50	£7.50					

deal?

Barry Riley

## FINANCE AND THE FAMILY

## Investment Trusts

## Old-fashioned excellence

*Philip Coggan looks at a Scottish fund that offers an above-average yield*

**S**ECURITIES Trust of Scotland is an old-fashioned international trust and none the worse for it. Founded in 1889, it had an excellent record in the 1980s and still offers private investors an above-average yield - 5.1 per cent - on a diversified portfolio.

This decade inevitably is proving more difficult for STS which, early in the 1980s, committed itself to a policy of income growth at a time when generalist trusts were seeking ways to differentiate themselves in the face of coolness from the institutional investor sector.

UK companies increased their dividends substantially in the 1980s and funds such as STS reaped the benefit. But the 1990s recession has hit companies' dividend-paying ability and this has fed through eventually to the investment trust sector.

In each of the past two years, STS has paid a final dividend that has not been covered fully by its earnings. Trusts build up revenue reserves so they can cope with just this kind of cyclical downturn; and STS says it can maintain its dividend from reserves for another three years even if earnings do not grow from their present level.

It will be a while before shareholders again enjoy the phenomenal dividend growth achieved during the 1980s - the

payout quintupled between 1982 and 1989 - but the assets, at least, continue to grow. This week, the trust announced that net assets per share rose 20.5 per cent to 84.5p in the second half of the financial year.

STS is managed by the Edinburgh-based Martin Currie, which assumed responsibility in 1972. Michael Gibson, who has worked for Martin Currie since 1982, is in charge of the management team.

Asset allocation policy is decided by the board following recommendations from Gibson and his number two, Tim Hall. They then supervise its implementation by specialist geographical teams.

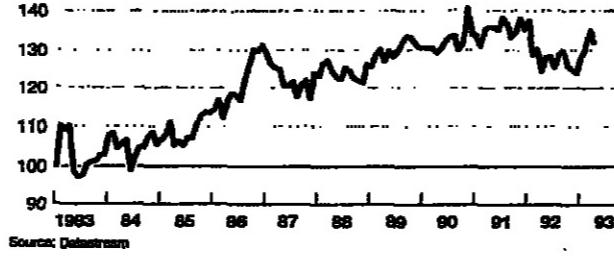
The portfolio's geographical split at the end of March was UK (60 per cent), US (15 per cent), Hong Kong (6 per cent) and continental Europe (8 per cent). STS also has a tiny holding in Japan, mainly in war-rants, but Gibson says dividends are too low there to meet the trust's income growth criteria.

During 1991 and 1992, STS had heavy holdings of convertibles and high-yielding preference shares because of the difficult economic conditions. By the middle of last year, though, it had begun to switch into lower-yielding equities that can produce above-average dividend growth.

The 10 largest holdings at the end of March were BT, Shell, British Gas, BAT,

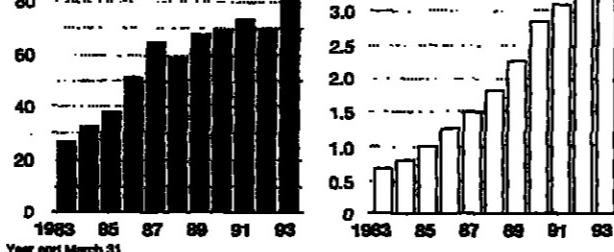
## Securities Trust of Scotland

Share price relative to the FT-A All-Share Index



Source: Datastream

Net assets per share (pence)



Year and Month 31

Allied-Lyons, GEC, Macdonald Martin, Bass, Commercial Union and Hanson. The only non-Footsie stock among these is Macdonald Martin, which produces Glenmorangie whisky.

The performance of STS is a good illustration of how a well-managed international trust can be very profitable for private investors over the long term and the investment trust sector over the past 10 years.

Stephen Magrath, analyst at

NatWest Securities, says STS "has not compromised its capital performance by going all out for yield. It is an attractive investment for someone who is conscious of total return - a 5 per cent yield with international exposure looks appealing."

Lewis Aaron, of S.G. Warburg Securities, adds: "In the short term the trust's record has not been outstanding, but over the long term its performance has proved the effectiveness of the high-yield strategy. With its high yield, the trust would probably be a good choice for a personal equity plan."

■ Key facts  
At the end of March, the trust's net assets were £273m and the gross assets £310m. On April 20, NatWest Securities estimated the nav per share at 83.6p - putting the shares, at 81.5p, in a discount of 2.8 per cent. The yield was 5.1 per cent. Martin Currie's annual management fee was 0.35 per cent.

■ Board

Bill Morrison, the chairman, is a former chief executive of Scottish Life. Other directors are David Birrell, senior partner of lawyers Dundas & Wilson; Richard Cole-Hamilton, former chief executive of Clydesdale Bank; Ian Macpherson, chairman of both Watson & Philip and Low & Bonar; Ronald Miller, executive chairman of Dawson International; Alick Rankin, chairman of Scottish & Newcastle; and Michael Kennedy, chief executive of Martin Currie.

■ Savings scheme and Pep details  
The minimum investment in the savings scheme is £20 a month, or £200 for a lump sum. There are no charges (except stamp duty) for buying but there is a £10 charge for selling. For a Pep, Martin Currie imposes an initial fee of £50, with an annual charge of £50 at £5 a month. Subsequent investments, or withdrawals, cost £20.

etc., of course). Doubtless there is complete mutual trust between your sister-in-law and yourself, but she would be taking responsibility for your obligations and liabilities (regardless of her ability to obtain reimbursement from you), so it is not something which you should ask her to do without cast-iron guarantees that she will not end up out of pocket or in an embarrassing situation.

You might like to suggest that she consult a solicitor before deciding whether to accept the power of attorney which you are offering her (and, no doubt, you will offer to meet the bill for her solicitor's guidance). As a first step, you should talk to your own solicitor, who will be able to give you general guidance on your overall prospective tax position etc, as well as explaining the risks inherent in both granting and accepting a power of attorney.



BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

etc., of course).

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## Refund of tax

MY WIFE inherited a warden-controlled retirement flat from her mother in September 1990. We valued it for probate at £90,000 but the Inland Revenue re-valued it at £95,000 and levied inheritance tax at 40 per cent.

We sold the flat for £82,000 in January 1993 and are claiming a refund of tax on this difference of £12,500. Are we justified in this claim? Irrespective of whether it succeeds, can my wife use this loss of £12,500 to offset gains made on sale of shares etc?

■ We confirm that the inheritance tax legislation enables one, in the calculation of an IHT liability, to substitute the sale proceeds for the probate value if the property is sold at a loss within three years of death. As your mother-in-law died in September 1990 and the property was sold in January 1993, the relief might be available.

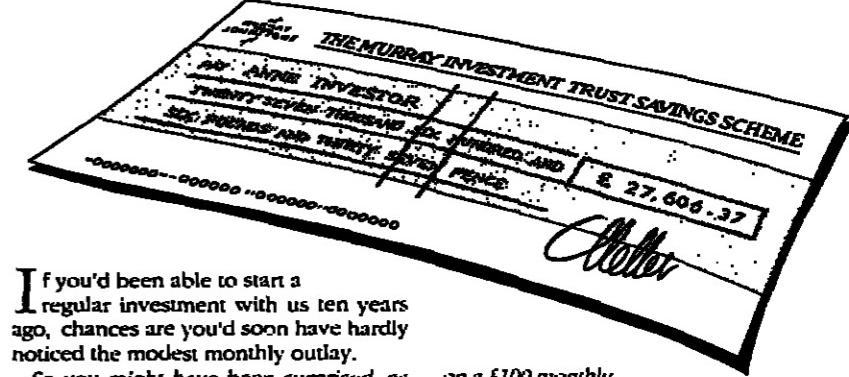
A refund of IHT pursuant to this relief depends upon a valid claim being made by "the appropriate person" - in this case, the person liable for the IHT attributable to the property. For example, if the executor of the will was liable for the tax, he must make a claim. IHT on specific bequests of land in the UK is usually borne by the executors unless the will provides otherwise.

For capital gains tax purposes, your wife's basic cost will be the agreed probate value of £95,000. She will be able to use the capital loss of £12,500, together with the indexation allowance thereon, against capital gains realised on a subsequent disposal of capital assets.

This reply was provided by Barry Stillerman of Stoy Hayward.

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## MINDING YOUR OWN BUSINESS

**A**RE Britain's directors and senior managers greedy? The Institute of Management thinks many are. It dished out strong criticism in a report this week on recent management pay rises. This was the latest side swipe from those uneasy about the rise of top people's pay and benefits in inverse ratio to the declining performance of the companies they run.

Peter Brown, who has quickly built a successful little company advising on directors' remuneration packages says some of this criticism is justified. But he is keen to tell you what his company does not do.

"We are not called in to act as a bludgeon on the remuneration of company directors.

That is not what we do at all."

His company, the Top Pay Research Group probably

would not get any contracts if it did.

Brown's business methods are somewhat softer and more sophisticated than a mallet.

"We are hired, often by non-executive directors to advise on whether remuneration policies in a particular company are appropriate and suggest alternatives on a range of things if we think that is required. We have never felt it necessary to recommend pay reductions but on a few occasions we suggested a freeze."

In its first year to November 1991, Top Pay Research earned a total fee income of just £21,000 but in the next 16 months to March this year, the company made £130,000. Overheads are low, Brown takes a reasonable salary and the company makes a pre-tax return of 30 per cent.

At 57, Brown is a one of a breed of entrepreneurs more common in the US than in Britain. He is chairman of one largish library supply company, and a board member of a non-quoted chemicals company. He set up Top Pay Research as his own business which he runs part time.

"It is much more common in the US for people at the top of large companies to have their own businesses that they run alongside their other roles."

The parallel is not quite exact because Brown joined the library supply company when it purchased a remuneration surveys operation Brown had set up in the 1970s.

Top Pay Research uses a small office in central London,



Pay master: Peter Brown, chairman of Top Pay Research, which advises companies what to pay their executives

## An eye on the big earners

Nicholas Garnett meets a man who makes money from executive pay packets

Brown's wife, Rosemary, works as the researcher, there is a tiny secretarial staff and three consultants who visit client companies carrying out assessments. They are paid by Brown on freelance rates of £250 to £400 a day.

"I thought there was a niche for this type of business. We did a lot of research and a lot of marketing to potential clients without at the start getting companies to say yes but many eventually did." The Top Pay Research spends some £6,000 a year on promotion.

Brown's company was given a fillip early on by support from an initiative by the Confederation of British Industry and the Bank of England to encourage the use of non-executive directors and by last year's report by the committee on financial aspects of corporate governance chaired by Sir Adrian Cadbury.

Top Pay Research has worked for about 30 clients, including Smith and Nephew, Welsh Water and National Westminster Bank. The little company accepts contracts ranging from advice on whether it would be out of line with the rest of a particular industry if a chief executive were given a 7 rather than a 5-series BMW, to the level of overall directors pay and the suitability of share option and bonus schemes. This is largely done using remuneration information from businesses in similar sectors.

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"In general, companies are happy to give us comparative information on this because they know they will not be mentioned individually in any report and that we do not keep records of this information on computer so they have no fear it will be spun off into a general database. In this business you must have the ability to get people to share information with you."

Individual pieces of work vary from £200 to £8,000 and the company has two retainers, the largest one of £13,000 a year.

Half the company's inquiries come from chief executives and personnel directors, the rest from companies' in-house remuneration committees

and their non-executive directors.

"We have to satisfy ourselfs that our work will go to someone who will not directly benefit from it. That is the crux." A quarter of inquiries are over pay rates for non-executive directors but the bulk centres on salaries, bonuses, pensions, share options and benefit packages for executive directors.

"There is often genuine uncertainty over remuneration packages. Some companies are concerned that their chief executives might be asking for too much. Sometimes the question is whether a package is structured correctly."

Share options which have gone "under water" - the share price has plummeted - are one fruitful area of Brown's work in which managers seek to reactivate incentives through new bonus systems including parallel or so-called "phantom" option schemes.

"Share price is not a very objective measure of performance," says Brown, who is critical of over-dependence on this as a gauge for directors' bonuses. Incentives should be tied more to use of assets, accumulated profits and market share, he argues.

Mashing two cultures when companies merge is another source of contracts. Brown acknowledges that when it comes to pay this "meshing" is always upwards.

Outside consultants on remuneration play an important role, Brown says. "There must be harmony on company boards and one of the easiest ways of damaging that is to question each other's remuneration direct."

Brown says Top Pay Research's target is an annual fee income of £700,000 within another four years from about 100 clients. If that happens it will come from using the knowledge of which side his bread is buttered.

"You are not going to tell your clients what they don't want to know. What is the point of telling them to cut pay if that will not work? We give practical not other-worldly advice."

■ Top Pay Research Group, Lipper Ground Floor, 9 Savoy Street, London WC2R 0BA. Tel 071-836-5831.

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Because of the urgency of the protective writs problem, Names who have not yet contacted us are now asked to do so immediately. Janson Action Group, Newton Park Farm, Newton Solney, Nr Burton on Trent, DE15 0SS. Tel/Fax 0263/703280.

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## HOW TO SPEND IT

# Caviar and cashmere

*Lucia van der Post finds some real bargains at duty-free shops*

**H**OW LONG is it since you last bought something other than the odd bottle of booze and some spare film at an airport duty-free shop?

If, like me, you arrive with minutes to spare, suitcases packed to the brim and memories of hearing about shams and rip-offs you probably do not even think about it. If you are one of the canny ones who has sussed out that times have changed at airport shops, that duty-free these days really does mean that then no doubt you shop there all the time.

Certainly enough people visit duty-free outlets to have sent BAA figures soaring - five

years ago retailing brought in £298m, last year it had risen 60 per cent to £480m. Those who supposed that the proper business of airports was aviation will be intrigued to learn that retailing now accounts for 32 per cent of total revenue.

A combination of falling revenue from landing fees and rising investment costs meant that increased revenue had to be found. Gingering up the duty-free operation seemed an obvious way forward.

Unscrupulous pricing, which lead to an embarrassing number of features in the national press, had eroded the confidence of the travelling-classes in "air-side" shopping. Today, much of this has changed. The

airport shops between them sell more caviar than the rest of the UK put together. Many retailers do between £4,000 and £5,000 in turnover per sq ft each year when the average in the UK is nearer £400 - in other words, they do 10 times more business than their High Street rivals. Some, like the Swatch shop in Terminal 4, do even better. It did £6,500 per sq ft in its first year, 15 per cent more than the UK average.

The revival started two years ago when Barry Gibson arrived to take over as group retail director of BAA. Confidence had to be restored. He started with what he called his "Value Guarantee Campaign", which guarantees that in the "land-side" airport shops prices are no higher than they are in UK towns and cities and that in the "air-side" shops the prices really are free of duty and tax.

The result is that today you can be sure of finding most alcohol at half the price it is in the High Street, tobacco is 40 per cent less, perfumes 21 per cent, and almost everything else from scarves and ties to shoes, watches, cashmere sweaters and gadgetry, 17½ per cent cheaper.

Perceived notions, however, take a long time to die, and many travellers believe it is cheaper to buy in Schiphol or Frankfurt airports. Barry Gibson is adamant that for most things it is hard to beat the prices in BAA shops. He points out that in some continental countries, Denmark and Germany, for instance, VAT is still charged in duty-free shops.

A straw poll revealed that his claims held up well. A litre bottle of Bell's whisky sells for £8.30 in BAA duty-free shops, the equivalent of £8.80 in European duty-free shops (calculated by using an average of prices in Frankfurt, Amsterdam and Copenhagen) and £16.61 in the High Street. A litre of Johnnie Walker's Red label was marginally more expensive in BAA shops (£9.95) than in Europe (£9.30) but in both places it was a great deal

cheaper than in the High Street where it sells for nearly double at £19.90.

An Hermès scarf is £129 in Hermès town and city shops, £127 in Europe and £110 in BAA duty-free shops. On the perfume front, Guerlain's Samsara and Dior's Poison were both cheaper in BAA's duty-free than anywhere else but unaccountably Chanel No. 5 turned out to cost slightly more (£26.30 in BAA shops as opposed to £24.25 in Europe and £25 in the High Street).

So the prices are good but is there anything you actually want? You are not going to find cute little hand-made items, one-off pieces of art or quirky presents - what you will find is classic items that cost you less than they would back home. Many well-known retailers have an outlet somewhere in Terminal 3 or 4 - Harrods and Burberry, Austin Reed and Hamley's, Mappin & Webb and Georg Jensen, Ferragamo and Gucci, Cartier and Jaeger - so the label-loving brigade are well catered-for.

If you need a good watch, hanker for, say, a Cartier three-gold ring, want a CD player or a camera, need a shirt or a classic pair of shoes, then, if price matters to you, it may well be worth your while to do some research before you travel. Try on shoes in a Bally shop, suss out what Jaeger has to offer, work out which colour cashmere sweater would freshen up your wardrobe, check out watches and decide which is the one for you.

There remains the vexed question of duty. Foreigners heading home will need to check on their own customs regulations. UK residents should probably not buy their £20,000 Rolex if they are on the way to Hong Kong - it will have to be declared on the way back and the duty paid. But, if, for instance, you are going anywhere in Europe, now that barriers are down, you can buy in the duty-free and do not have to declare anything on your way back in.



PHOTOGRAPHED here is small selection of the sort of things you could buy from duty-free shops at Heathrow with the "land-side" and "air-side" prices attached for comparison.

Far left, top: a hand-crafted sterling silver brooch set with amber and green agate, designed by

Georg Jensen in 1904 and in production ever since. £21.70 at Terminal 4, £248 from the shop at 156 New Bond Street, London W1.

Far left, bottom: a glistening evening handbag, set with brilliantly-coloured Austrian rhinestones is one of a selection of Judith Leiber handbags sold at Mappin

& Webb at Terminals 3 and 4. This particular version is £2,510 in the terminals and £2,950 at Mappin & Webb in Regent Street, London W1.

Above: cashmere sweater by Barrie, typical of the wide range on sale duty-free at Harrods and The Scotch House, on Terminals 3 and 4. In-store price, £26,

duty-free £73.45.  
Top left: fine, silk scarf by Ferragamo, £36.50, Terminal 4, £112 in the shop at Ferragamo, 24 Old Bond Street, London W1. Below left: Burberry water-resistant watch, gold-plated with a sapphire crystal glass, £276 at the duty-free in Terminal 3, £325 at Burberry stores.

## A serious frame-up

**T**HE apogee of the Royal Academy's Year is, of course, the Summer Exhibition (this year starting on June 6 and running until August 15) with the *vernissage* a must for assiduous pursuers of the society round. But there are lots of other reasons for visiting the RA, not least one of its best-kept secrets - a framing shop tucked away near the back entrance in what looks like an old mews or stable.

Now that every museum or gallery has cottoned on to the fact that there is money to be made out of ancillary commercial enterprises many are branching into new fields. But

for The Royal Academy, the framing shop is no bright new venture, rather a well-established service that in its present form has been going for eight years but under previous ownership was started something like 40 years ago.

It has long been known among the many artists exhibiting at the RA and many London dealers, such as Agnews and the New Grafton Gallery, use it all the time. The pity is that it is so little-known by the public.

The shop is run by David Neilson and Edith Robertson and tucked away in the warren-like series of rooms is a specialist team of craftsmen

and gilders. Piled high with humidity, insects and air pollutants. The choice of frames is vast - everything from simple wood and metal to ornate hand-gilded numbers.

Besides framing, the workshop will also restore, clean and repair pictures or frames. It is a friendly place which anybody going to an exhibition might like to look into just in case they need a better class of frame.

The Framing Shop's entrance is in Burlington Gardens, next to the Museum of Mankind. Otherwise use the RA's main entrance in Piccadilly.

*Lucia van der Post*



The Framing Shop at the Royal Academy

## The Kenyan art of bribery

**I**LEARNED my lesson about how to do business in Kenya on the day, some four months after I had arrived there as an ex-pat manager, that my wife and two children flew in to Kenyatta Airport to join me. When my wife resigned from her job in London, her colleagues threw a party and gave her, as a leaving present, a small ice-cream maker.

My wife rang from London and said: "You don't mind if I ship out my leaving present, do you, by air freight?" - at my expense of course. I could hardly say no. I did not even know what the present was, but the principle was important. She had been doubtful about coming out to Kenya, leaving her job and friends in London, and I did not want to imperil the fragile understanding at the last moment.

So I said "yes" and, the afternoon before they were due to arrive off a KLM flight at Kenyatta Airport, I had a telephone call from our clearing agent at the airport to say that a package had arrived for me, and I had better go to the freight terminal to get it.

Innocently, I decided to collect my wife and children first, and then stop to pick up the goods. They were due at 7 am the next morning, and it sounded a logical plan. So much for western logic.

Their arrival was uneventful. As we left the passenger terminal I said proudly, as if to confirm their welcome: "And what's more, your packet has arrived, what is it?"

"An ice-cream maker."

I still did not sense trouble. No one had warned me about the freight terminal. We drove to a large building on the airport perimeter. I parked the ageing company Range Rover and with an innocent: "See you in a few minutes," went to find Hassan, the clearing agent.

Or rather, he found me. He had been waiting, and knew the vehicle of old. He took me into a dingy side office and said: "You are late."

He led me into a huge aircraft-hanger-like depot with an ante-room where sundry Kenyans were shouting and gesturing at each other. In the middle of the floor of this ante-room was a

large cardboard box, opened, with bits of its contents on the floor beside it. It was my wife's packet.

"They say you will have to pay duty," said Hassan.

"But it's a present, and it's for our own use, like our other belongings. We have just arrived in Kenya."

"The terminal is shut now," said Hassan solemnly.

"What for?"

"Lunch."

"So what do we do now?"

"Maybe 8,000 shillings."

I began to get annoyed: 8,000 Kenya shillings was worth about £300. The machine had only cost about £200 in London.

"I won't pay that much," I told Hassan, trying to sound every bit the

impatient jetlagged family and took them home. I telephoned the office, arranged to have the money ready at my office, drove into town to collect it, then back to the airport freight terminal for midday.

"The terminal is shut now," said Hassan.

"I have done my part. So you must pay me too."

I was beginning to get angry. He was breaking the agreement between us. I felt a righteous anger - and I was in possession of the goods.

"How much?"

"What you think is fair. I did you a service."

He had got lunch off me, and the company paid him for his services. So I said, as much to get rid of him as anything else, "Four hundred shillings."

"That is not very much."

"Four hundred."

"OK."

So I counted out four more notes, and took the pile, shook my hand, and vanished into the building.

My troubles were not over. The man on guard at the gate, dressed in dirty overalls, said: "Where are you going with that thing? Where is your pass?"

Of course, I did not have one. But by now, I knew the game. I put the package down, pulled 40 shillings (10 per cent of 10 per cent) out of my pocket and handed it over as I walked past him. He grinned, and I was free at last.

I thought my wife would be pleased.

"I wouldn't have paid all that for it," she said. "Let 'em have it or send it back to England."

But we did sell it, three years later, for 4,500 shillings. So we broke even.

Except the ice cream wasn't up to much.

*Rex Winsbury tells the chilling tale of how he imported an ice-cream machine to make his wife feel at home in Africa*

a black canteen, everyone knowing why I was there. Finished, he sucked his teeth, and said: "OK, go now."

Back at the terminal building, he led me along sunless corridors and from one office to another, bypassing queues of people. In each office he nodded vigorously to the occupant in my direction. I suppose he was doling out my money

- dishing out verbal promissory notes. It seemed to work. Hassan led me back to the ante-chamber of the transit hall. There, my package had already been taped together, and the overseer gesticated towards it. "OK, you take it now," he said with a wide grin. I knew why he was grinning.

Hassan made no gesture to help me. I picked up the heavy cardboard box and staggered outside, into the bright sunlight of a Nairobi afternoon. I was dazed, breathing in fresh air, glad to be free of the claustrophobic atmosphere. But I was pulled sharply back to business.

I was in a fix. I agreed to be back at noon with money. I rushed back to my

office. "What do you suggest?" I asked Hassan. "You are the expert here."

He paused, and looked into the half-distance. "Maybe, for 4,000 shillings I can do it for you. Come back later with money."

I was in a fix. I agreed to be back at noon with money. I rushed back to my

office. "Now, you must give me the money. I have promised it."

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## FASHION AND PERSPECTIVES

Dressing for the Professions: The Journalist

# Owls and peacocks: a story of opposites

Nicholas Woodsworth considers the way the Press dress

**A**S IN life, so in dress. Journalists are a duplicitous lot. Are journalists responsible arbiters of public life, sober, sagacious owls to whom we can turn for truth and wise opinion? Certainly the serious grey suits worn in the editor's offices of Britain's national dailies imply that this is the intention.

Or are journalists media peacocks, prima donnas of the word processor with egos so attention-seeking that they feel the need to tell us their opin-

ions of the world? The ghastly polka-dotted bow-tie, the sloppy, rumpled suit, the flamboyant waistcoat, the questionable socks, mack and tie sometimes affected by journalists would indicate personal style bordering on the eccentric.

Owls or peacocks? The answer is: both. Journalism is a world in which individual expression and social convention have their proper place. Clothing simply reflects this. More homogeneous professions may have more homogeneous codes of dress, but journalists

clothes are as different as the organisations they work for, the topics they cover and the opinions they hold. A newspaper office is one of the few places where one man in green velvet and another man in grey pin-stripe have equal value and utility.

Traditionally, journalists have a reputation for being notoriously poor dressers. Like Lou Reed in his fictional Twin City newsroom, or Walter Matthau type-writer bashing in the bleachers, they are portrayed as negligent, sloppy, soup-

stained men - in the stop-press world of ringing telephones, desperate deadlines and the passionate search for truth, there is no room for the consideration of mere clothing. The hard-nosed hack, his sleeves rolled up and his tie pulled down, just does not care.

There is probably some real basis for this image, but it is hardly as romantic as popular myth would have us believe. In the past journalism was one of the lower-paid professions. Despite the occasional gentleman dandy, that was a hard-living, hard-drinking, somewhat disreputable calling. For most work-a-day journalists, salaries did not permit large or expensive wardrobes - if the few suits a journalist owned all looked ready to retire, it was because they had seen much active service.

Nor was journalism a tidy profession. When reporters were not in smoke-filled offices pouring over inky proof-pages, they were out pounding the sidewalks in all weathers - the basis of that eternal cliché - the journalist and his wrinkled and dirty mackintosh.

Today, journalists (at least in the larger national publications) are better paid and can afford to dress as well as others in the liberal professions. Yet the sloppy, negligent image persists.

As potent as money in the creation of the journalist's persona is social status, his need to feel and be seen as *different*. If the attitude looks unstudied, the absent-minded indifference of the intellectual, it nonetheless has its purpose.

Looking into the doings of the influential, the wealthy and the celebrated more often inspires cynicism than admiration. Down-dressing or dressing differently is a way for the journalist to say to such people: "I may write about your world, but I am not of your world. I am different. I am an observer who evaluates." To the world at large it is also a modestly boastful way of saying: "I do not care about the way I look, I want to be judged by the superlative way I write".

But the image of the journalist in cheap, nasty and ill-considered clothing is probably over-done these days; looking competent and professional, at least to management, now counts for a good deal in this competitive trade.

In an age of journalistic specialisation, styles are varied and specialised too. Fashion journalists on women's magazines are fashionably dressed in discounted designer clothes. Diplomatic correspondents dress diplomatically. Banking

Ivan Fallon, owlish in bespoke Savile Row suit and shirt hand-made in Hong Kong

correspondents tend to look like second-drawer bankers.

Among the young thrusters of Third World foreign correspondents, multi-pocketed sleeveless vests are the sign of literary Rambo ready for action. Press photographers dress like members of motorcycle clubs, but that too is a fashion statement. Only sub-editors - journalists with no public face - can these days emulate the ideals of the journalistic slob.

If journalists are no longer permitted simple unfashionable ways, which way do they head? In spite of the great diversity of style, they seem to tend towards one of two opposing poles: the flamboyant, creative personality, and the serious, responsible journalist of weight.

John Walsh, editor of *The Independent* newspaper's weekend magazine, is a self-avowed peacock. He wears tomato soup-coloured Kenzo jackets with green shirts. He owns a pair of floral braces. He has a ginger-coloured outfit from Reiss, and a dark green suit by Christian Dior. His favourite article of dress is a brocade

lamé waistcoat which is 7 per cent gold thread. He usually wears it with a dinner jacket.

"

Journalists take themselves far too seriously", he avows. "This is not a totally serious profession. All journalists are actors to some extent. Some like to dress like power brokers or tycoons. But our job is not to be bank managers. Our job is to be right, and not necessarily to fit in."

When Walsh was literary editor of the *Sunday Times*, he used to enjoy teasing editor Andrew Nell. "Andrew is an actor, too; he plays the nasty and horrible role and wears power-broker suits. Whenever we heard he was going to visit the literary desk, we pulled out coloured Balkan Sobranie cocktails, put on floppy black bow-ties and used lots of words like *enmou*. It seemed the suitable corrective."

But there are plenty of correctives to the individualist, Bohemian streak among journalists, too. Ivan Fallon, formerly of *The Daily Telegraph* and today business editor of *The Sunday Times*, sits on the other side of the fence, not a

peacock, but an owl. His own dress is elegantly conservative.

His suits are cut on Savile Row by an Irish tailor, his shirts ordered hand-made from Hong Kong. He has a weakness for Hermès ties. On Saturdays he abandons his suit for a blazer.

"We are fairly anonymous in the City of London," he admits. "Senior and financial journalists tend to dress the same as those they interview." But it is all to good purpose, he says - journalists do a better job as political reporters, financial analysts and foreign affairs observers if they fit into their surroundings without causing undue notice.

"All journalists should express a degree of independence, but not in a way that is embarrassing", he protests. "If I were at a board lunch and had dirty shoes, I would feel uncomfortable."

But everything has its place. "John Walsh may appear unconventional to most people", he laughs. "but in the circles he moves, the way he dresses is convention." Even peacocks have their codes.

John Walsh, an avowed peacock in Kenzo jacket, Armani tie and Reiss shirt



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**D**ID William Shakespeare's muse home in on Southwark south London yesterday, for his 429th birthday? If so it might have been a bemused muse. Shakespeare would have looked at where his wooden O, the Globe, stood (now Park street) and west across Southwark Bridge Road to Marlowe's Rose. Then he would wonder why his countrymen who profess to be so proud of him, and benefit from the tourists he brings the scepter'd isle, leave these two theatre sites sad and forlorn, when his descendants had the luck to come upon them a few years back?

It is a puzzle. It took an American, Sam Wanamaker, to build a replica of the Globe slightly to the north-west of both sites. The Globe itself looks like a bombed site, and the Rose lurks beneath the Rose Court office block strown with banners advertising space to let. The archaeology at both sites is unfinished - at the Globe it has hardly reached the end of the first act. Yet these are the remains that can tell precisely where the players made their exits and entrances and where the gravedigger dug in Hamlet, and so how the plays were played. The only way to learn is by digging them fully.

The Globe was built in 1596, and the lease names Shakespeare as one of the tenants. It was one of 11 or 12 amphitheatre playhouses built in London between 1567 and 1614 which gave acting companies permanent homes for the first time - and are the transition to the indoor theatres we know today. In 1613 a cannonade for the King's fire in Henry VIII caused a fire and the Globe burnt down. Rebuilt in 1614, it was finally pulled down in 1644.

Tenements went up on the site, as the archaeologists report\* in the account of the 1989-91 trial dig. They were demolished when Southwark Bridge was built in 1814-19 and Anchor Terrace (listed Grade II) in 1821. Most of the Globe lies beneath Southwark Bridge Road and Anchor Terrace.

East of the terrace the diggers found the outer gallery wall and what seems to be a stair turret, and signs of two phases of building - but it is unclear which Globe was built first.

With such a small patch excavated, diggers can tell us little more except that the audience ate hazelnuts and



American fund-raisers watch carpenter Martin Wright work on the wooden pegs holding the huge oak beams that form part of a reproduction of the Globe Theatre near the original site in Southwark, south London. This week the first performance was scheduled on the

## Bard's muse of fate

Gerald Cadogan invokes the spirit of Shakespeare

that in Hollar's famous 1630s "Long View" drawing, from Southwark Cathedral tower, the building with a tall turret marked "beere bayting" is really the Globe, and that marked "the Globe" is really the Hope, another theatre. The stage and backbuilding still await the diggers' trowels, and the site sits idle while Hanson, which funded the trial dig generously, decides what to do.

Now is the time for Peter Brooke, the heritage secretary, to act. Jack-up Anchor Terrace on piles and dig beneath. Then look under Southwark Bridge Road. Then arrange to display what is left of the place where the world's greatest playwright put on his plays. This is our National Heritage -

as nothing else is in the country.

And if you are sceptical, Mr Brooke - though you should not be, as a long-standing member of the Friends of Friendless Churches and so of the Ancient Monuments Society - think of our France, always ready to spend money on its capital city.

If the Cabinet has doubts, tell them of the economic benefits. Southwark is bound to boom. It is crammed with history. Here is an opportunity to make a comprehensive scheme, by world-wide architectural competition, to display it all as an historic area by the river - and even find a use for Bankside power station next to the Wanamaker Globe.

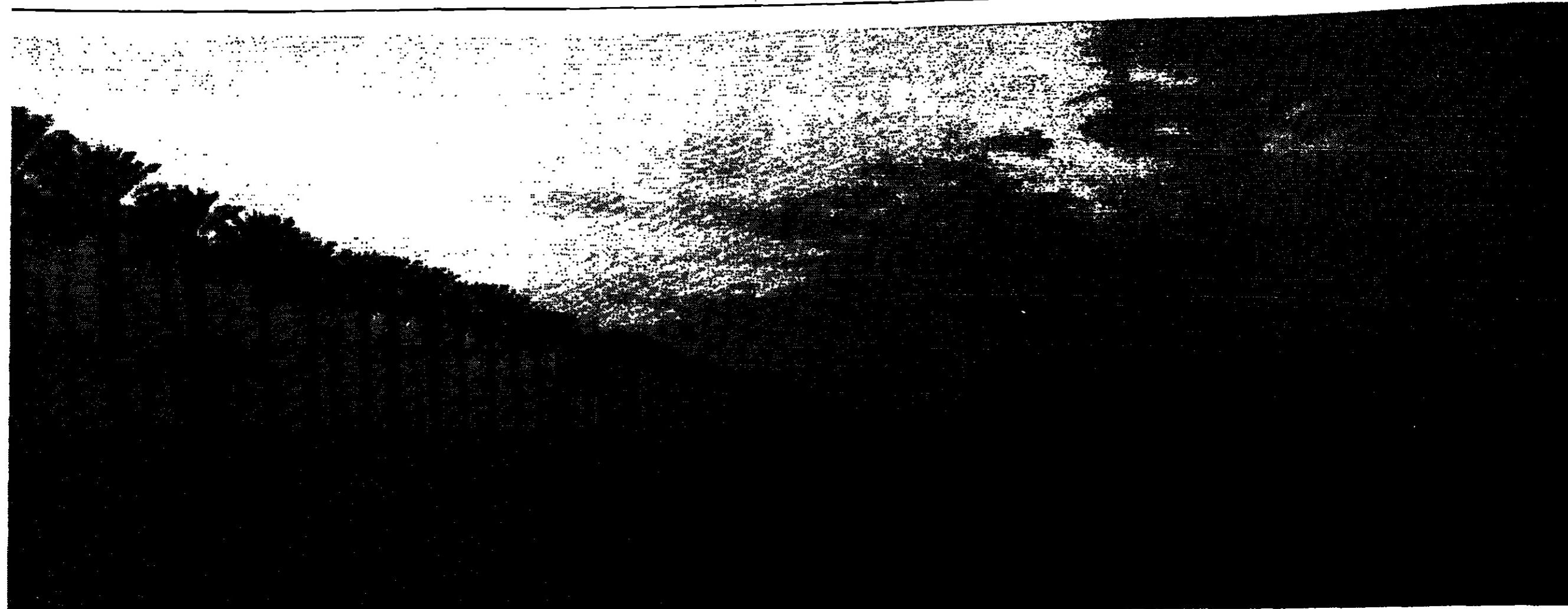
If nothing is done, we are left with the diggers' reports - a messengers' speech of tantalising brevity and a drama without end. Is that the way to treat this blessed plot, this earth, this realm, this England? "Simon Blatherwick and Andrew Gurt, with John Orrell, Shakespeare's factory: the Globe, Antiquity 66 (1992) 315-33.

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## TRAVEL



On the way to Palm Springs. An early writer described being lulled to sleep "by the soft clatter of palm-fronds and an occasional somnambulistic outbreak from the night-herons roosting in the cottonwoods"

# Palm Springs - a world-class rest-stop

CALIFORNIA'S desert areas were pooh-poohed initially. In a report on the first serious reconnaissance of the desert, Lieutenant Joseph C Ives, of the US Topographical Engineers, wrote: "The region... is, of course, altogether valueless. After entering it there is nothing to do but leave. Ours had been the first, and will doubtless be the last, party of whites to visit this profitless locality."

I do not know what happened to Lt Ives, but if he drove through the desert now and stopped at Palm Springs his eyes would pop out.

Ask an American what Palm Springs stands for and he will reply: golf, tennis, palm trees, money, movie stars. Ask the town's tourism office what it

stands for and it will flourish the happy phrase: "Xanadu incarnate."

Ask me what Palm Springs stands for and I will tell you of floating in one of its swimming pools (it has 7,000) and rummaging pleasantly on the hundreds of activities available in and around Palm Springs that I was gently boycotting while eating and vegging out.

Palm Springs is on the western edge of the Coachella valley - 107 miles (2½ hours on the freeway) south-east of Los Angeles, within the area known as the Colorado desert. The San Jacinto mountains are to the west, the Santa Rosa mountains to the south.

It is 48ft above sea-level. To the east lie the other manured resort-cities of the Coachella valley: Cathedral

City, Rancho Mirage, Palm Desert, Indian Wells, Bermuda Dunes, La Quinta, Thousand Palms and Indio. Palm Springs' year-round population is only 40,000 (surprisingly, property is not expensive). And its climate - its original claim to fame, along with its abundant water - is superb: an audited 354 days of sunshine per year and less than 5in of rain, with winter temperature differences in the 70°F (20°C) and summer-month levels (over 100°F) tempered by low humidity. The May-August high is regarded as 105°F, the low as 67°F. High season is January-April: 77°F-49°F.

To indicate the numberless activities available in and around Palm Springs, I could do worse than quote what Carolyn Patten, of Palm Springs

Tourism, suggests for a seven-day programme:

Day 1: Stroll down Palm Canyon Drive, the city's main avenue, and note the shops, galleries, cafés and restaurants. Return to your hotel, pick up a good sunscreen, bask in the desert sun and try to find some pity for the friends you left back home.

Day 2: A drive-past tour of the homes of famous residents, including the estates of Frank Sinatra, Gerald Ford, Walter Annenberg, Zsa Zsa Gabor, Lord Hanson and other golden oldies, as well as Palm Springs' celebrity country clubs. And visit The Living Desert, a 1,200-acre wildlife centre, for a close look at bighorn sheep, the desert kit fox and other birds and animals.

Day 3: Take the Palm

Springs Aerial Tramway for a 2½-mile, 15-minute cable car ride to the 8,500-ft peak of Mt San Jacinto, from where you can see for 50 miles. And visit the Desert Museum (Western art, natural history dioramas illustrating the history of the local Cahuailla tribe of Mission Indians, and two sculpture gardens). Members of the Agua Caliente band of Cahuailla Indians are among the largest of Palm Springs' present-day landowners.

Day 4: Try the Oasis Water Resort, a 31-acre waterpark, and take a safari ride into the foothills of the Santa Rosa mountains. For a night on the town there are piano bars, 1940s-style nightclubs (nostalgia is big in Palm Springs), comedy, jazz, discos and "authentic" country & western

music. Day 5: Anything you like: golf, tennis, cycling, horseback riding, pool-lounging, desert hiking. Or take a covered wagon tour through the Coachella Valley Preserve (13,000 acres; springs, dunes, bluffs, mesas, the Thousand Palms Oasis and plenty of wildlife, some of it rare).

Day 6: Visit Indian Canyons for fan palms, waterfalls and wildflowers. And ride a hot-air balloon over the date groves and lazy horse country of the eastern Coachella valley. This year, an extra-wet winter has produced one of the best wildflower seasons in the Palm Springs area in more than a decade.

Day 7: More of whatever you like.

Sounds ever so slightly tedious? Aggressively non-cul-

tural? The bland leading the bland?

If so, then it is worth emphasising three things about Palm Springs that justify describing it as one of the northern hemisphere's best winter-sun holiday spots: it is surprisingly quiet and peaceful; its climate is superb, and it serves as a first-rate hub or springboard for various trips.

Thanks to considerable care and effort, Palm Springs retains the small-town charm and peacefulness of its early days, when movie stars (plus Albert Einstein) would head from Los Angeles to the El Mirador hotel. Today, you might spot Sylvester Stallone or Kirk Douglas, Don Johnson or Kim Basinger. But the important thing to know is that in Palm Springs these movie stars do not molest you. They do not pester you for your autograph or mob you in the supermarket. They respect your right to privacy.

Because of its desert climate, Palm Springs is a healthy place to be. In *Our Arab*, an account of Palm Springs' pioneer days, J Smeaton Chase tells of heading for Palm Springs one morning in April, circa 1915. He was with three friends. Two were driving a camp-wagon, the other two were on horseback. They had come from the coast. Crossing the mountains, at 2,000ft, they gazed at the valley floor.

The effect was highly theatrical, wrote Chase. "Below and far ahead, at the foot of the hollow scoop of the pass, lay a pale golden land, shimmering in sunlight under a sky of summery blue. It was like magic, or a dream..."

As they descended, they were lashed by a hell-storm, alternately thrashed by chilly rain and pelted with hailstones. But suddenly they emerged into glorious warmth. By early afternoon they had reached Palm Springs. That night we stretched out luxuriously under the flowering grevilleas of the Brooks House, bathed in moonbeams and odour of orange-blossom, lulled by the soft clatter of palm-fronds and an occasional somnambulistic outbreak from the night-herons roosting in the cottonwoods near the spring."

Using Palm Springs as a base, today's visitors can easily drive south to the Mexican border (not greatly recommended); you will see more poverty and desperation than you may have bargained for; west to the beaches (Malibu, Santa Monica, Huntington, Newport, Laguna) or Disneyand; north to Death Valley, or east to Joshua Tree National Monument, a national park of startling beauty that covers 870 square miles, more than 90 per cent of which is classified wilderness.

The park almost evenly straddles California's two deserts - the Mojave, a high desert, and the Colorado, a low one - and is named for the shaggy-limbed, spiny-leaved Joshua tree, that can live for hundreds of years. A group of Mormons, passing through the area, saw, in the plant's upreaching limbs, an image of the prophet Joshua praying and guiding them westward towards a promised land - hence "praying plant" or Joshua tree.

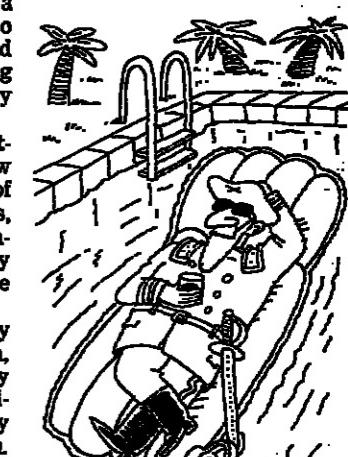
The largest Joshua tree in the park, at upper Covington Flat, is said to have forked more than 100 times in its 1,000-year lifetime. It is 36ft tall, 14ft in circumference and is said to resemble a giant head of broccoli.

I did not, in fact, see it, largely because my own hire-car-safaris did not stretch as far as Covington Flat. I hate organised walks or hikes. About group jollity. Am not a team-player. Prefer my own company.

So I get into my hire car, drive a few miles, stop and get out, walk for 15 minutes in a circle, puff a cigarette, gaze soulfully at the horizon, check to see if it is raining or if there are mountain lions massing, or a posse of Mexican bears, or a column of desert tortoises, kill my cigarette carefully, glance at my map, re-start the car, drive a few miles, stop and get out... until I am bone-weary.

It was because of the strenuousness of these safaris that I spent much of my time in Palm Springs idling and vegging out.

**Travels with Michael Thompson-Noel**



■ Michael Thompson-Noel flew to Los Angeles with British Airways, which has two flights every day, Heathrow-LA, non-stop. Apex fares start at £324 return. The standard Club World return fare is £3,254.

In Los Angeles he was a guest of the Biltmore Hotel, and in Palm Springs of the Marquis Hotel & Villas. Double rooms at the Biltmore cost \$215-\$285 per night. Bookings can be made through Leading Hotels of the World (UK free phone: 0-800-161-123). In Palm Springs, the Marquis is at 150 South Indian Canyon Drive, tel: (619)-322-2121. Until June 12, and from September 18 to January 8 1994, double rooms and villas cost \$100-\$236 per night. Between June 13 and September 17 charges fall to \$55-\$155 per night. There are various deals available. London tel: 071-407-1020. The US 800-223-1834/800-262-0186.

Palm Springs has 162 hotels, from the luxurious and ultra-private to the cheap and cheerful. One of them, the Morning-side Inn, is described as "clothing-optional" (for naturists). Details: Palm Springs Tourism, 401 South Pavilion Way, Palm Springs, CA 92262, tel: (619)-778-3415, fax: (619)-323-8279. Ask for a copy of *Palm Springs Visitors Guide*.

*Our Arab* has been republished and is easily found: \$9.95. An excellent natural history guide is *California Deserts*, by Jerry Schad, California Geographic Series No 3, Falcon Press Publishing, available at the visitors' centre at Joshua Tree National Monument and elsewhere: \$14.95.

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## SPORT

Cricket/Teresa McLean

# Grass masters protect their turf

I WOULD not do it for any other newspaper. A long journey into Yorkshire, a cold, hard afternoon's labours, then a long journey home late at night. It was worth it; the grass roots are fascinating.

The Sports Turf Research Institute, in Bingley, west of Leeds is a charity, founded by the Golfing Union in 1929. By the 1950s it was researching into all types of sports turf, with all their ailments, at the service of golf, bowls, cricket, football, hockey, rugby and racing.

Cricket is overshadowed by golf at the institute but that, they assure me, is cricket's fault. There was a turf revolution in golf about four years ago, following a lot of trouble about bad surfaces. Golf's administrators consulted the institute's experts. Today golf is overflowing with committees in charge of the construction and maintenance of golf courses.

"That's what we were founded for," the institute's director, Dr Peter Hayes, said with satisfaction.

Cricket has yet to have its turf revolution. It keeps its turf to itself, away from the institute's relentless enthusiasm for research.

"Senior groundsmen have a kind of aura attached to them which cannot be penetrated," said Dr Hayes weary. "All cricketing authorities are difficult to advise. They are well meaning amateurs. They don't understand the importance of research."

When I talked to Tim Lamb, secretary of the Test and County Cricket Board's pitches committee, he gave a weary sigh of his own. "The STRI is all science. They are boffins who don't understand the practical side of making good pitches under match conditions.

Pitches are different when you play on them."

The amateurs and the boffins talk to each other at times, but remain at odds in the vast underworld of the cricket pitch. It is a world which only hits the headlines when people want a scapegoat for poor English performances, but it is always taut with pressures and politics. It is populated by players, groundsmen, executives, researchers and, unoffically, the local expert who has sat in the same seat for 40 years, watching every game and comparing every wicked wicket with the real old fliers and skidders of his youth. Such an old faithful preferred the good old days when there was not all this fuss

about wickets. He has a point.

Back in the great days of Hambleton, Richard Nyren described the ideal pitch simply as a 22-yard stretch of the cricket ground, not to be altered "by rolling, watering, covering, mowing or beating" during a match. Subtleties of texture did not come into it when the turf was to be "if possible fed down by

time, the culture of first class cricket turf grew more sophisticated, leaving the ovine mower in history. Cricket magazine attributed batsman Richard Humphrey's suicide in 1906 to the grim old pitches that had undermined his early batting, before "the later years, when pitches were vastly

improved". Today the improvement of pitches is verging on an obsession.

It is Graham Gooch's favourite topic of conversation: he is always happy to talk about the need for better wickets, without which he sees no future for English cricket.

Both the TCCB and the STRI are reluctant to give a precise definition of a perfect pitch because requirements vary from place to place, indeed within each pitch.

"We don't want a minefield of course," laughed Lamb.

"Not a snooker table, of course," said Hayes.

Both were happier talking about what they did not want. Both cited Headingley as a problem pitch.

"It's been dug up and re-laid as many times as I've had a cooked breakfast in the last year," said Hayes, "to no effect."

In 1986 a wicket for a Yorkshire v Surrey match was condemned by a TCCB inspector. A deep shaft was dug, revealing what Lamb described as "something like a Neapolitan ice cream" - layers of compressed organic matter and old topsoils, put there by successive groundsmen. This meant that newly sown grass could only put down weak roots, through a layer of accumulated organic fibre or "hatch".

**Solutions?**  
The TCCB is trusting to the skills of Headingley's groundsmen, Keith

Boyce, who dug up and re-laid the pitch at the end of last season. Lamb pointed out that it was the TCCB which got rid of the lush, green wickets groundsmen were preparing in the late 1980s to suit seam bowlers. It has everything in hand. This year's emphasis is on dry pitches to encourage spin bowlers. But it takes time.

"It's taken them 20 years to go round in a circle," was how they put it at Bingley. "There are always fashions in the soils groundsmen lay. This year everyone is using two parts Ongar loam to one part Surrey loam because that was successful for Harry Brind at the Oval. But there's no scientific understanding of what makes a good wicket."

We stood on a huge patchwork of trial turf areas. No-one could doubt the STRI's commitment. As others said before me, only time will tell what works best. It is a pity the assorted approaches cannot combine their work more easily to find an answer.

Tennis/John Barrett

# Courier the king grows into his regal role

**Y**OU MAY not even have noticed, but last Sunday in Hong Kong, Pete Sampras beat Jim Courier 6-3 6-7 7-6 in the final of the Salem Open. Nothing special about that, you might think. But it was a poignant moment in the careers of both young Americans. Nine days earlier, in Tokyo, 21-year-old Sampras had won his quarter-final against another American, David Wheaton, to displace Courier as the No.1 ranked player in the world. He is the 11th man to reach that pinnacle since the computer rankings were introduced in 1973. The Hong Kong victory therefore clearly stated: "The King is dead; long live the King."

Ironically, it was Courier's accession to the throne in February 1992 that sparked the ambition in Sampras to emulate him. "Seeing Jim at No.1 sets a goal for me," he said at the time. "I believe it's something I can do, too. It's a matter of staying healthy and playing consistently."

Yet, even with the help of his new coach Tim Gullickson, Sampras could not find that elusive consistency last year, especially in the Grand Slam Championships. Although he won five tournaments, he ended 1992 ranked third after losing in the final of the US Open to Stefan Edberg, the semi-finals at Wimbledon and the quarter-finals in Paris.

This year Sampras could hardly have been more consistent. He has already captured four titles, starting with the outdoor event in Sydney last January. That was a prelude to his semi-final finish at the Australian Open.

Even his physical frailties seem to be under control. During his winning run in Key Biscayne last month he told me that he was taking pain killers for the shin splints that have troubled him since 1990 when, at 19 years and 28 days, he became the youngest ever winner of the US Open.

"I don't like it but at least it means I can compete. Anyway

I shall have two weeks off to rest them before I have to play in Tokyo, it should be enough."

As the world now knows, it was indeed enough. Too much for Courier. These two have been friends and rivals since their junior days. As young professionals they were roommates at the Nick Bollettieri Academy in Florida where Agassi was also in residence. They won their first important title together - the 1989 Italian Open in Rome.

When I first saw him, Pete had just embarked upon his professional career. It was at Palm Springs in 1988. In those days he was a shy, gangling 16-year-old, all arms and legs, with smooth, effortless strokes but not much idea how to use them. To all of us it was apparent that here was a player with limitless potential.

**H**e beat the graceful Indian Ramesh Krishnan in the first round, saving three match points in the process. That was a good sign. Then he upset a man who had taught him much about match play at the Rancho Palos Verdes Club outside Los Angeles where they were both members. Eliot Teltscher was less than pleased at being beaten in straight sets. "I always knew the kid was going to be good," he said. "But I didn't think it was going to happen so soon."

Nor did anyone else. Sampras did not have a spectacular junior career. Although he could always beat the local opposition he could not make an impact nationally. Courier, Agassi or Michael Chang always seemed to be in the way. "I couldn't serve and I had no real idea of how to volley," he recalls. "I was just trying to play the way all the kids played - counter-punching from the baseline. I realised I would have to do something about my game."

He sought advice of a family friend, Dr Pete Fischer, who had been his unofficial (and unpaid) coach for some years.

Together they decided that if he was to make progress and become a volleyball, Pete would have to forsake his double-handed backhand.

Stefan Edberg had made a similar change at the suggestion of Percy Rosberg, who had been Bjorn Borg's first coach. Wisely Rosberg had left Borg with his effective two-hander but had changed Edberg because he had recognised Stefan's ability as a volleyball.

It was the same with Sampras. But the change was painful. "After six months of hitting the fence and losing my temper a few started to go in. It was a great relief," he says.

Ever since, more and more have been going in. Nowadays Sampras has the most complete game of all the leading men. His serve, fired at around 130 mph, has become Lethal Weapon 4, his groundstrokes, taken on the rise and hit flat and fast are as penetrating as any, and his volleys are punched firmly or caressed with sweet touch, according to the situation.

So what sort of man is the new world No.1? In a word: confident. That had always been the missing ingredient. Following his unexpected success at the 1990 US Open there followed two years of growing into the position. Pete's girlfriend De-Laina Mulcahy, a law student, had a positive influence on the process. The benefit was clear in Key Biscayne. The mature way Sampras dealt with some of the most testing playing conditions I have seen was a revelation. A year ago he would not have coped.

So far this year Sampras has served 366 aces, over 100 more than his nearest challenger Michael Stich, even though he has got in less than 64 per cent of his first serves in. As Ivan Lendl used to say, it is not the percentage that matters but the moment. Sampras also leads the field on first serve points won (81 per cent), service games won (91 per cent) and break points saved (72 per cent). This superiority on serve



Lethal Weapon: Pete Sampras prepares to launch another of the 130mph serves that have carried him to No 1

gives him the freedom to for his returns and gain enough breaks to win his matches.

The killer streak, essential to success, has become more obvious as Pete has added confidence to his greater physical strength. He is now the perfectly proportioned athlete, strong, fit and fast. Yet,

beneath the hard exterior is

the epitome of sportsmanship and athletic chivalry. Watching tapes of the great man's matches was part of Pete's training routine. If he goes on developing (and, as he readily admits, there is room for improvement), tapes of Pete Sampras' matches will become required study for today's embryonic champions.

Aiguille Rouge, in Arc 2000, and the Eldorado, in Belle Plagne, have enjoyed enormous success.

Although snow conditions in the Alps after Easter have been excellent for the last three or four years, and prices are low, skiers seem to have melted away by then. Next year, Easter is early: April 3. It would be inconceivable for this to signal the end of the season.

Nevertheless, many resorts and tour operators are trying to improve their lot by promoting a summer season. Verbier is particularly anxious to fill chalets occupied by skiers in the winter with golfers, ramblers and parapentists in the summer.

Small tour operators, such as Neal Manuel, who runs Flexiski (071-352-0044), have chaotic apartments lying idle for much of the summer. The mountains after Easter and during summer are spectacular," he says. "As it happens, we've got some late bookings for next week, just as we were about to pack up and go home."

Verbier's tourist director, Patrick Messelier, says: "You can even ski here in June and July if you want to."

For those torn between a winter-skiing break and a summer holiday, a morning on the slopes followed by a round of golf or some tennis in the afternoon is a tempting combination.

**M**UCH is expected of King William next month - not

least to behave himself. This magnificent nine-year-old eventer took Mary Thomson to her first win at Badminton in 1992. The same bold, headstrong beast then ruined her day at the Barcelona Olympics, taking her round the El Montanya cross country course at a speed and style that left the rider feeling shamed and irrelevant.

"It was horrible, a nightmare. I kept thinking why is this happening to me here, at the Olympics?" remembered Mary, as she prepared for the new season. "He'd always been brave and forward-going but that was very close to bolting - ugly and horrible."

"Towards the end of the course I was beginning to run out of energy and wasn't sure that I could continue to hold him. I was an absolute jelly when I got off and couldn't stand up but Willy was itching to go round again."

"The irony was that because of the Spanish heat there were an army of vets standing by to attend to any exhausted horses. I can tell you that I needed the medical aid a great deal more than King William."

In the media centre the world's press assumed that Mary and William had taken the slower, safer route at many fences because they were "riding to orders" from a British team anxious to conserve points. This alleged excess of caution was attacked in many papers the following day, leaving Mary and her teammates angry and despondent.

With the show-jumping section still to come, they were unlikely to disclose William's exact state of mind to the world but as Mary is now able to point to orders from the "chicken run" through those fences was more about saving life than points and not needed to tell her to do it.

It was a bitterly disappointing end to a season that had begun so well. Mary Thomson describes 1992 in her book *Mary Thomson's Eventing Year* (David & Charles, £17.99). It was a spell that began with a mood dangerously familiar to all top athletes.

"When I won at Windsor a fortnight after Badminton it was my fifth consecutive win at a major three-day event. I was really on a roll, flying. Willy and I didn't seem to be doing anything wrong," recalls Mary.

"Winning at Badminton was a dream forever. I'd been seeing out but to win was such a higher gear. There is nothing like actually winning and going across country it gives you the confidence that is so important. You can fill a horse with optimism and bravery if you're feeling totally on top of things."

Thomson recalls the Sunday service at the little Badminton church on the morning after three horses had fallen and had to be destroyed in the cross-country phase. It was the worst day in Badminton's history and has caused much heart-breaking, not least with Hugh Thomas, the event director and course designer.

"I have to know in my heart that the course was OK and that is why we've had such intensive inquiries into the whole business," said Thomas, a former top event rider.

"Last year's accidents hurt our image with the public and quite rightly. It damaged peoples' perceptions of what we are about in this sport." This year around 200,000 spectators will come to Badminton to see

80 of the world's top event riders compete for the Mitsubishi Trophy.

Last year after a long spell of dry weather it began to pour with rain around dawn on cross-country day. By late morning the course was extremely slippery, although the technical judge pronounced it fit to ride. "It was very difficult for the early riders but our investigations have shown that the conditions were only a factor in the first of the three accidents," said Thomas.

"Once we began to get a certain pressure - not from the competitors - to consider postponement, ironically conditions improved because the early horses had cut the ground up a fair bit. We can't find any explanation at all for the subsequent accidents. One fatality was in the water jump and in all my years in the sport I can't remember such a thing. Water usually cushions a fall."

There have been changes. The take-off area immediately in front of each fence will be

**Keith Wheatley**  
on precautions for  
this year's  
Badminton event

rope off and out-of-bounds to the public for a week before hand. Thousands of human feet can compact the ground and make it potentially dangerous if there is sudden rain.

"One is reluctant to spoil peoples' enjoyment and appreciation of how difficult the whole thing is," said Thomas. "But safety has to come first." His fence repair team will switch their focus to keeping the going safe. "It is amazing what half-a-dozen shovels of stone-dust can achieve," said Thomas, who confesses to coming from an era when such precautions would have been thought whimsical.

Thomas is a technical advisor to the International Equestrian Federation. He is aware that in some countries eventing is seen as bordering on cruelty to horses. Thomas is just back from Atlanta and talks with the American Humane Society (the equivalent of the RSPCA) over their concerns relating to the sport.

As perhaps the best-known three-day event in the world Badminton cannot afford any more mishaps. But is the short run the most interesting question is who will win?

King William is a new "cherry roller" bit imported from the US which, according to Mary, makes him easier to manage. At Belton last weekend he went beautifully across cross country and jumped a clear round in the show-jumping, his weakest phase. "If Mary and King William are in the form they were last year they will be nearly unbeatable," believes Hugh Thomas.

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Skiing/Arnold Wilson

# After the crowds melt away



Free run: since Easter many Alpine slopes have had good snow but no skiers

their shutters up this week, officially the season does not finish in many resorts until next weekend. Will there be anyone out there still skiing? There are exceptions. Some British tour operators, like football fans beginning to troop out of the ground before the final whistle, have done a U-turn and decided to stay on as clients suddenly appear from the ether wanting to ski next week. Just as chalet-girls have started to spring-clean, a good season, was a disaster. The effects of the recession, exacerbated by the French themselves, who found election fever keeping them off their own mountains, were felt particularly badly by luxury hotels trying to take advantage of late school holidays in

seasons for hoteliers, particularly in France. March, normally the central plank of a good season, was a disaster. The effects of the recession, exacerbated by the French themselves, who found election fever keeping them off their own mountains, were felt particularly badly by luxury hotels trying to take advantage of late school holidays in

France by keeping their March prices high in an attempt to extend the February high season. Claude Pinturault, who owns the Hotel Annapurna in Courchevel 1850, admitted that most of Courchevel's ten four-star hotels have had miserable periods this season. There have not been enough affluent clients to go around. Pinturault has restructured next year's high season prices so that they will only apply to the French school holidays from mid-February to mid-March. To a certain extent, Courchevel has been a victim of the "fat cat" syndrome that has in the past shaken such self-confident resorts as Zermatt and Aspen. Believing themselves to be unassassable, they have risked pricing themselves out of the market.</

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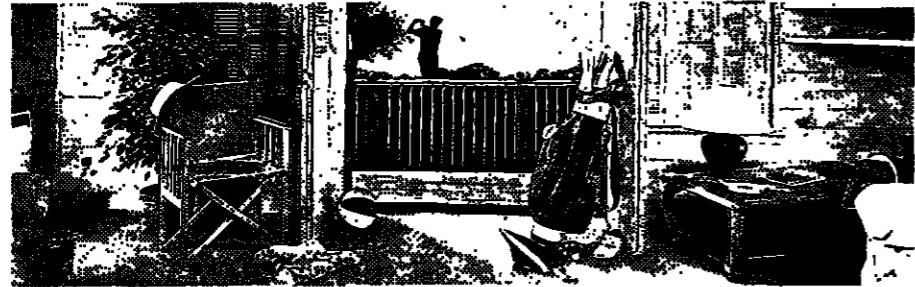
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## PROPERTY



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Narside at Narborough near Swaffham, Norfolk (Bidwells, £300,000)

**U**NUSUAL houses at reasonable prices, and a rich choice of things to do, await those who venture into East Anglia. Pass on from Essex to Suffolk and you can go racing at Newmarket and sailing in the estuaries.

After sailing, how about a concert in Aldeburgh? Benjamin Britten's music paints the fickle North Sea, the bleak mud flats and the free spirit of East Anglian towns, as robustly independent as Delft or Hoorn are over the water in Holland. Oysters and Muscadet at the Oysterhouse in Orford will bring memories of holidays in Brittany. Then visit Blythburgh church, the cathedral of the marshes, and Debenham and Flatford, where Constable painted, and you know you are still in England.

Stunning churches throughout East Anglia beat anything Brittany offers. They rose from the profits of the Middle Ages' wool trade. Often, the village has disappeared, leaving a powerful ghost in a church you see for miles across the low ground. And, for the mystery of it all, read *The Nine Tutors of Dorothy Sayers*, who grew up in a Norfolk rectory.

Church crawling becomes a major sport and a diversion from beach holidays at Great Yarmouth or at

Brancaster and Blakeney, on the north Norfolk coast, which became popular when Edward VII, as Prince of Wales, rebuilt Sandringham. Today, the towns and villages boast good shops and restaurants. The delicatessen in Cley-next-the-Sea, near Blakeney, sells fresh pasta and, in a shed in a Blakeney garden, lurks a second-hand book shop of rare quality.

Norwich is the heart of its county. Treats in town are the Castle Museum with its collections of John Sell Cotman and Lowestoft china and, for something more piquant, the Colmans Mustard Museum. Then, go out to the University of East Anglia to see its campus, designed by architect Denys Lasdun. The jewel is Norman Foster's 1975 Sainsbury Centre for the Visual Arts, and its modern art. It began as a resplendent aluminium and glass palace that shone in the sun, but lost some of its gleam two years ago when white plastic panels replaced the aluminium because they leaked. It continues to be worth the journey.

Trains to East Anglia are good, as are the main roads (but watch the juggernauts). The A12 from London speeds up to Ipswich, Lowestoft and Great Yarmouth, and the M11 and A11 to Norwich. Across country to the Midlands, the soon-to-be-completed A45 leads from Felixstowe to Bury St Edmunds, Cambridge, Northampton and Coventry. In a tiny, remote Norfolk village, the big wheel is still near.

House prices soared late in the 1980s, especially in Norfolk from the impact of the M11, and have fallen as dramatically - to 40 per cent below the levels of four and five years ago. Agents have accustomed vendors to the realism of reduced expectations. But that looks to be changing. Demand is picking up, and there are more serious buyers with cash who are tiring of temporary living in a flat.

If confidence really is returning, prices should harden. But Norwich remains affected by employment worries, as Bidwells report in its quarterly review; this could hold back recovery. All agents agree,

though, that they want new instructions to sell - at sensible levels - and foresee that there might not be enough houses for sale to meet the demand. It is a problem in East Anglia that while there are splendid properties in all price ranges, there are not so many of them as in the rest of the country.

**Gerald Cadogan finds a rich choice of houses in East Anglia**

Heveningham Hall, much discussed in the media last year - and "the grandest Georgian mansion in Suffolk" according to art historian Sir Nikolaus Pevsner - remains unsold and still has a guide price of £4.5m (from Knight Frank & Rutley and Savills).

New on the market is a more modest mansion: the 16th-18th century, brick, Grade II Narborough

Hall near Swaffham, which comes with an ice house, cricket ground, two lakes, a boat house, lordship of the manor and 75 acres. What more could you want for around £200,000? (from Knight Frank & Rutley).

Unless, that is, you wish to spend £50,000 less and buy Narside

(through Bidwells in Norwich).

This looks as if it were the lower house of the hall and has the mill leat (the channel taking water to a mill) in the grounds. A bridge spans the leat and has a bench where you can watch the water flow by, or fish for trout.

Still on the grand side are Irmingland Hall and its estate 15 miles north-west of Norwich (£1.4m from Strutt & Parker); and Sproughton Manor, near Ipswich, a Victorian house for around £240,000 (from Carter Jonas) and designed to look like three cottages joined together - and with a thatched roof.

Frost offers the charming Grade II, pink, half-timbered Corner House in Kersey, near Hadleigh (£175,000).

Curiously, on the edge of Blakeney, is a brick, flint and thatch house overlooking the salt marshes (Bidwells in Norwich, £275,000). The Georgian Rosalie Farm is just six

miles from Newmarket and has three paddocks (Bedford, £395,000). In Norwich, Strutt & Parker is selling two Georgian brick houses in The Crescent (£215,000 and £225,000).

Two unusual names are Mausoleum House in Felsham, near Bury St Edmunds, which has been in the same family since it was built in 1780 (Brown, £195,000); and Sally Beans on the edge of Cromer (Strutt & Parker in Norwich, £99,500). And for a truly unusual house (or, perhaps, four flats), there is the converted Redgate Water Tower at Hunstanton, a 1912 Norman keep in red brick. From its Astrotrified roof garden, you can map the battlements. Jackson-Stops is asking £20,000 as a whole or £10,000 for the penthouse on the top two floors.

■ Further information from: Bedford, Bury St Edmunds (0284-769 999); Bidwells, Ipswich (0473-611644) and Norwich (0603-763 939); William H. Brown, Bury St Edmunds (0284-761 131); Carter Jonas, Ipswich (0473-212 656); Frost, Hadleigh (0473-233 456); Hamptons, Bury St Edmunds (0284-767 332); Jackson-Stops, Newmarket (0638-662 231); Knight Frank & Rutley (071-629 8171); Savills (071-299 3844); Strutt & Parker, Ipswich (0473-214 811) and Norwich (0603-617 431).

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## BOOKS

# The face behind the distortion

*Distraction was the name of Bacon's game, not shock, says Anthony Curtis*

**I**N ONE of his *Interviews with Francis Bacon* (new edition 1978) David Sylvester asked him about the recurring image of the Crucifixion in his painting. The painter said that the Cross was only a convenient "armature" for different forms, and denied that it had any religious significance in his work although the outline treatment, he agreed, was derived from Cimabue. Bacon saw the whole subject as "just an act of man's behaviour, a way of behaviour to another".

This reply led Sylvester to probe further: why, if that was so, did an aura of religion hang over several other paintings, such as the famous series of popes with their origin in

**THE GILDED GUTTER LIFE OF FRANCIS BACON**  
by Daniel Farson  
*Century £17.99, 273 pages*

the portrait by Velasquez of Innocent X. This prompted Bacon to make a distinction between being a painter in a period when the Christian faith was a part of the culture out of which the work came and being a painter now, when it was not.

"You see [Bacon] continued, all art has now become completely a game by which man distracts himself; and you may say it has always been like that, but now it's entirely a game. And I think that that is the way things have changed, and what is fascinating now is that it's going to become much more difficult for the artist, because he must really deepen the game to be any good at all."

What is so shocking in Bacon's work to the spectator - the distortions of the human face into the blurred grotesquerie of his portraits, the ripping open of the human body where the innards are repulsively exposed, and the gestures of suffering transmitted in screaming countenances - is that all of these were for Bacon simply various ways of "deepening the game".

The artist remains neutral, dispassionate, unaffected by these horrors. If anything he sees an aesthetic beauty in them, just as he loves the tonal beauty of the reds of

Bacon's restaurant bill even after he had become a millionaire. Bacon was just the opposite. He *always* paid for the drinks and for the meal afterwards and became angry with anyone who tried to do so instead.

Most artists leave their youthful haunts behind them when they become rich and famous, but not Bacon. He was still to be found at Muriel Belcher's The Colony Room ("little more than a small and shabby room with a lavatory and a telephone at the back") or the York Minster ("the French pub" after its proprietor, Gaston Berlemon) even when his paintings were on sale for telephone number sums at the Marlborough Gallery, many of them to be snapped up by the Tate or the Museum of Modern Art in New York. A sprightly octogenarian, he died just over a year ago, leaving his entire estate worth around £10m to his long-standing boyfriend.

Bacon had a great contempt for money but luckily, from around 1950 onwards, was never short of it. A few weeks ago I reviewed a biography of Maurice Chevalier which revealed how he would go to extraordinary lengths to avoid pay-



ing a restaurant bill even after he had become a millionaire. Bacon was just the opposite. He *always* paid for the drinks and for the meal afterwards and became angry with anyone who tried to do so instead.

It was, Farson tells us, the custom for him to sit at the end of a heavy Soho drinking-session, "let's go" - at which point four or five of them would repair across the road to Wheeler's fish restaurant in Old Compton Street where they would tuck into plates of oysters washed down with champagne, all paid for by Bacon (eventually). The book contains an interesting photograph from the 1950s of Bacon at his regular table there, surrounded by fellow-painters including Lucian Freud and Frank Auerbach, but the company was not usually quite as distinguished as that.

Bacon's well-known passion for gambling - he was an habitué of casinos in the South of France - appears as an offshoot of this same uninhibited attitude to money. Farson follows him abroad to the green baize pastures, enumerating some of his very large wins and equally large losses. It was all part of trying to get the maximum kicks from each lifelong minute with no thought of the consequences.

This attitude extended to his own work. He seems to have had a distaste for much of that too. Yet he was a tireless worker, making full use of the early morning from six onwards, capable of painting his way doggedly through some almighty hangovers; but, having spent weeks finishing something, he would frequently destroy it because it displeased him. Farson

describes how Bacon once saw in the window of a Bond Street gallery a portrait he had done of a friend who had stolen it from his studio. He wrote out a huge cheque for it, and then stamped it to extinction on the pavement outside.

I once met him and can vouch for the captivatingly ebullient, fearlessly spontaneous manner of which Farson gives many examples. Farson says that Bacon rarely talked about Ireland and his background but strangely enough on this occasion he did. He tried to define the Irish attitude to sex, which he described as being in a large measure "the immorality of the mouth" by which I understood him to mean talking about it rather than actually doing it. That one gathers from Farson, was not something of which Bacon himself was guilty.

Harding's itinerary. If one takes their death tolls into account, the cost of ending white rule in Southern Africa is measured in hundreds of thousands.

His account is not a catalogue of despair, however. Whether in Eritrea or southern Africa he finds an extraordinary resilience, "people contriving to live beyond the wars, or in spite of them". Harding draws on his own expertise, but one of the merits of his book is that he lets Africans do most of the talking.

Small wars, millions dead: who cares? For a while Washington did. Patient, skilful diplomacy by Chester Crocker, the US assistant secretary of state for Africa for much of the 1980s, extricated South Africa and Cuba from their entanglement in south-western Africa. With the vital help of Moscow, the process secured independence for Namibia and also paved the way to what should have been a lasting peace in Angola.

Crocker moved on in 1989 and began writing what is an engrossing and invaluable handbook on diplomacy in southern Africa. The tragedy is that the book came too late to instruct his successors under President Bush. The lessons it contains have been ignored. Washington bears as much of the blame for the disaster in Angola today as the hapless United Nations monitors.

Michael Holman

## Small wars, millions dead: who cares?

**RHOESEANS NEVER DIE**  
by Peter Godwin and Ian Hancock  
*Oxford £35, 400 pages*

**SMALL WARS, SMALL MERCIES**  
by Jeremy Harding  
*Viking £18, 442 pages*

**HIGH NOON IN SOUTHERN AFRICA**  
by Chester Crocker  
*W W Norton £24.95, 384 pages*

terrible deeds have since been revealed. Ken Flower, Smith's intelligence chief, recruited a black church minister to supply poisoned clothing to youngsters who thought they were joining the guerrillas. Hundreds died a horrible death. Flower had the minister assassinated to avoid exposure, but recounts the tale in his autobiography. As Donal Lamont, the deported Catholic bishop observed, white Rhodesians became moral pygmies, and Godwin and Hancock put them under the microscope.

It was Flower and his colleagues who helped cultivate civil war in neighbouring Mozambique, one of the African battlefields so vividly and intimately covered by Jeremy Harding in *Small Wars, Small Mercies*. Rhodesia helped arm and train Renamo, retaliation for Mozambique's support for guerrillas. Harding picks up the story from later on, when Flower's work had been taken over by South Africa.

Mozambique became part of the front-line in the battle against apartheid, as did Angola, also on

ity, and either manufactured what they formerly imported, or managed without.

The dark side is that white Rhodesia tortured its enemies, executed jailed guerrillas in secret and lacked the decency to tell next-of-kin, and compulsorily regrupped thousands of peasant families in "protected villages" which became urban slums.

All this was known. Other truly

slightly stronger rate, HK\$7.80 was arbitrarily fixed and then published. The peg was in place."

On the negotiations over Hong Kong's future, the book lacks the balance of insider detail from the Chinese side. But perhaps there was not much more to say. Thereby hangs the book's biggest problem - the outcome of the negotiations on Hong Kong's future was never in doubt. As a result, much of the detail of the negotiations, while riveting at the time, is irrelevant from a longer-term perspective.

The British began the negotiations in 1982 with the position that Britain had to retain a role in the administration of the territory for it to remain prosperous. That may or may not have been true, but the point was irrelevant. China's top priority, based on what you might call Opium War psychology, was to take back Hong Kong no matter what the consequences.

Not only was the outcome inevitable, but there is also a chance that the document that resulted, the Joint Declaration, may prove in the long run to be irrelevant, or interpreted by China's current or future leaders in ways entirely contrary to what the British thought they were agreeing to.

As Lord Derwent aptly put it in the debate on Hong Kong in the House of Lords last December: "The problem with the Joint Declaration is rather the same as the problem with the Maastricht Treaty. It is so cleverly drafted that it is possible for the two sides to agree on every word of the text without there being any real agreement on what it means or how it can be applied."

One of the most basic misunderstandings over the years has been over the famous Chinese promise to Hong Kong of "One Country, Two Systems" for 50 years beyond 1997. The Chinese basically meant two

Graham Earnshaw

## Chinese gamble over Hong Kong's future

**H**ONG Kong is such an amazing freak of history and the game over its future is such a gamble and so uncertain that it is surprising there are not more books written about it. One reason, no doubt, is that the story does not stand still long enough for anyone to write a book which is not going to be overtaken by developments long before it is published.

Robert Cottrell, in *The End of Hong Kong*, solves the problem by ending the narrative in 1984. This gives the book a better shot at longevity, but a smaller claim to relevance. The book details every step of the complex quadrille danced by diplomats from Peking and London in the early 1980s, leading to the 1984 Joint Declaration under which China will take back Hong Kong at midnight on June 30, 1997.

As a reference work on the era, it is excellent. Cottrell, a former corre-

spondent of the *Financial Times*, includes some nice insider details from the British/Hong Kong side which flesh out the story. His description of how, during the confidence crisis in 1983, the government decided to peg the Hong Kong dollar to the US dollar at the rate of

**THE END OF HONG KONG**  
by Robert Cottrell  
*John Murray £19.99, 244 pages*

7.80 - which survives today - is fascinating: "There was an initial inclination to set the rate at HK\$8, a number which had the additional advantage of being considered auspicious in Hong Kong, because it supplied in Cantonese a near-homophone for 'prosperity'". But Bremridge felt that HK\$8 was too simple a number, lacking an appropriate air of scientific calculation. A

economic systems, while Westerners very often assumed they meant two political systems. They didn't.

In a way, the really interesting story begins where Cottrell ends - with the changes unleashed by the Joint Declaration which are transforming Hong Kong from a British colony into a Chinese city. The process is almost complete.

He mentions some post-1984 developments in passing in an Afterword: the flight of money and talent in the late 1980s and early 1990s; the growing economic power of southern China; and Britain's inconclusive flirtations with Hong Kong democracy, before and after the 1989 Tiananmen Square incident, which have landed Governor Chris Patten in the soup. But it is all such a moving target that it is hard to blame Cottrell for ending the story where he does.

Graham Earnshaw

## FT Children's Book of the Month Fantasy kingdom in scrambled centuries

**C**HILDREN have an appetite for fantasy that is largely lacking in adults. That much is a truism. But why? Because fantasy feeds the child's own appetite for the freest and the wildest kind of speculation upon every aspect of the mystery of the life into which it has just been catapulted.

That is not to say, however, that successful fantasy does not depend upon rules. On the contrary, rules are of the essence. Good fantasy - Mary Norton's *The Borrowers* for example, or *Alice* - may distort life (by a trick as simple as enlargement or miniaturisation, for example) but it also oddly mirrors it. Its truths are queerly, universally true. Values and anti-values intermesh in provocatively interesting ways, and it is all to the good if (as in *Alice* again) the "real" world that a book has been oddly mirroring reasserts itself at the end of all that speculative travelling. And that precisely what happens in *The Crown of Dalemark*.

**THE CROWN OF DALEMARK**  
by Diana Wynne Jones  
*Mandarin £3.99, 194 pages*

mark, the fourth and final book in Diana Wynne Jones's *Dalemark* cycle of novels.

Diana Wynne Jones has been limning the features of the imaginary kingdom of Dalemark for almost 20 years. The first three books in the cycle appeared relatively close together, between 1975 and 1979, while this fourth and concluding novel (which is also, incidentally, the longest by far) has occupied her intermittently for the past ten years. The chronological span of the quartet is enormous - from the pre-history of the kingdom to its present day - but our attention is by no means equally divided amongst the different historical epochs.

The quartet begins with *Cart and Ciclder* (Mandarin £3.99) which is set in the South of the country sometime in the 18th century, and it describes the time-honoured role of the mysterious Singers, an ancient race of itinerant musicians who are able to travel freely between the North and South of the country: public performers, but also custodians of many old customs, sayings and beliefs. In this book we learn one of the most important facts about Dalemark itself: that the country, once ruled by a king, is now divided between the North and the South, and that within each of these separate parts there are a number of warring earldoms.

Michael Glover

## Paris killed off by academia

**B**ERNARD Shaw's aphorism about England and America being separated by a common language certainly applies to literary criticism. J. Gerald Kennedy's *Imagining Paris* is a case in point.

The idea is interesting enough: that the reason why Paris has attracted so many American writers has more to do with what the city represented than what it actually was. Between Henry James' ecstatic account of reeling through the streets and Mary McCarthy's decision to settle there after the Second World War, a large number of American writers have testified to the impact of Paris on their lives and work. Professor Kennedy chooses three of them: Gertrude

**IMAGINING PARIS: EXILE, WRITING AND AMERICAN IDENTITY**  
by J Gerald Kennedy  
*Yale £25, 269 pages*

have shaken off their shackles. But the habit is too ingrained.

But there have naturally been exceptions. F.O. Matthiessen, Henry Nash Smith, Perry Miller, Lionel Trilling and Yvor Winters are examples of American academics who have been bold and talented enough to move from methodology to idiosyncrasy. But it is perhaps significant that the most brilliant of them all, R.P. Blackmur, never went to university at all, and Edmund Wilson kept well away.

None of this would matter very

much if the products of American scholarship were confined to the academy for in-group seminars, but sometimes they are unleashed on the general public. Not that one

should be too hard on Professor Kennedy. He obviously hasn't a clue that he is doing anything out of the ordinary.

And indeed he is not. In the time-honoured fashion he trundles out one opinion after another. A Joshua Meyrowitz proclaims that television, "that most insidious instrument of post-modern culture," has

deeply undermined our sense of place. Leonard Lutwack has remarked that we lack a theory of the formal use of place in literature.

Edward Ralph speaks of places as focuses of intention. Yi-Fu Tuan believes that place is a concretion of value. And so on. Yet beyond this nonsense, there is much to commend in Professor Kennedy's study.

He succeeds best where he follows the text. The Stein material comes to life as he describes Stein and Thomas Wolfe; ignore John Dos Passos, HD, William Carlos Williams, and Picasso embracing when they discover that the Germans have not touched Picasso's precious canvases. Henry Miller's preoccupation with images of birth and the female genitalia is (naturally) referred back to his childhood. Hemingway's latent homosexuality is also traced back - in this case to the fact that his gentle mother in Oak Park dressed him in girls' clothes. Very little of the material is original, but it is neatly brought together. So, if Kennedy can gloss over Professor Kennedy's authorities, there is enough to reward him in this oddly schizophrenic book.

Geoffrey Moore

لهم انت الْمُعَذِّبُ

## The art of success

**R**ARELY does an independent British publisher get to celebrate longevity these days; so many have been swallowed by larger competitors. It is even more unusual for a publisher to undertake a promotion not simply designed to sell more of its books but which also hopes to prod the general public into an appreciation of the visual arts, design and architecture.

But Thames and Hudson's *World of Art* series is 35 years old this year, and its promotion on May 1 is quite exceptional. The distinctive black paperback collection of more than 130 titles, which eclectically stretches from *Abstract Expressionism to Women, Art and Society*, is proof that commerce can still be both intelligent and successful.

To commemorate its 35th anniversary, T&H, as everyone knows it, is running a UK-wide *World of Art* day on Saturday May 1 when visitors to galleries and museums in Belfast, Cambridge, Glasgow, Liverpool, London, Oxford and elsewhere can get two entrance tickets for the price of one.

The only requirement is to carry a copy of a T&H *World of Art* book, new or old. Visitors to galleries and museums which do not charge entrance fees will be able to get discounts on selected items in the gallery shops concerned.

T&H will be donating a percentage from sales of its *World of Art* books to three charities (two art charities and Greenpeace, the latter because of T&H's dolphin logo) between April 19 and May 3. T&H will spending in the region of £50,000 on the promotion. UK and overseas turnover this year will reach about £16m in wholesale prices for the company as a whole.

T&H started life in 1949, established by Walter Neurath, an Austrian who fled Nazi-controlled Vienna and arrived in London in 1938, and his second wife Eva, who remains chairman. Neurath's Fabian-socialist leaning inclined him towards producing high-quality art books at prices within the reach of the general public. He

Gary Mead on the  
35th anniversary of  
T&H's 'World of  
Art' series

glasses, have been sold since the series began.

T&H has prospered since first established. Thomas Neurath says that T&H's relatively small scale is a "very viable model for publishers to stick with." The company is guarded from death by erosions of its independence by its family trust status. Moreover, T&H regularly makes the top-ten list of booksellers' favourite publishers, because the company realises that a wider view and a more sustained level of interest may be more important."

The *World of Art* series has become synonymous with well-written, informative and admirably illustrated guides to the finest of art and artists. "The aim we have is to get people who know their subject and can write clearly and in a manner which is free from jargon... it's a very affordable and straightforward way of absorbing knowledge. Inexpensive books which are accessible, open windows for people," says Neurath.

How many publishers today speak of opening windows for people - and even put their words into practice? That in itself is cause for celebration.

### Fiction

## Dangerous obsession

**W**RITERS are often offered stories by strangers. When Ruth Prava Jhabvala is asked by a distraught old woman to write her daughter Angel's story, she is dubious but not surprised; though she knows too little about the girl to make a biography possible, and there are few papers, letters or tangible remains.

I am not sure that the mixture of fact in this prologue and fiction in the rest is needed. A novel without pretence of factual authenticity seems perfectly in order and indeed one plunges into it with immediate belief and commitment. It deals with love as obsession, in human terms as madness: the total devotion of saint to sinner, of innocence to depravity. Angel and Lara, first cousins, are as diverse as two people can be. To say that Angel is plain and good, Lara electrically attractive and bad, is too simplistic. Lara is not just capricious, promiscuous, impossible, but sick, identifiably mad.

Beside that, Angel's mystical sense of Lara's importance is an "absolute" emotion, making a relationship like that between worshipper and deity. Angel sacrifices everything for Lara - her own beloved

mother, her close friend, her way of life, finally life itself. The story is told with great clarity, beauty and strength; it echoes much else, means more than it says, has resonances which have something, but not everything to do with style. It shows Ruth Prava Jhabvala at her peak.

*Breach Candy* is a first novel full of zip and promise. Two

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by Ruth Prava Jhabvala  
John Murray £14.99, 199 pages

BREACH CANDY  
by Luke Jennings  
Hutchinson £14.99, 254 pages

CLEOPATRA'S SISTER  
by Penelope Lively  
Viking £14.99, 282 pages

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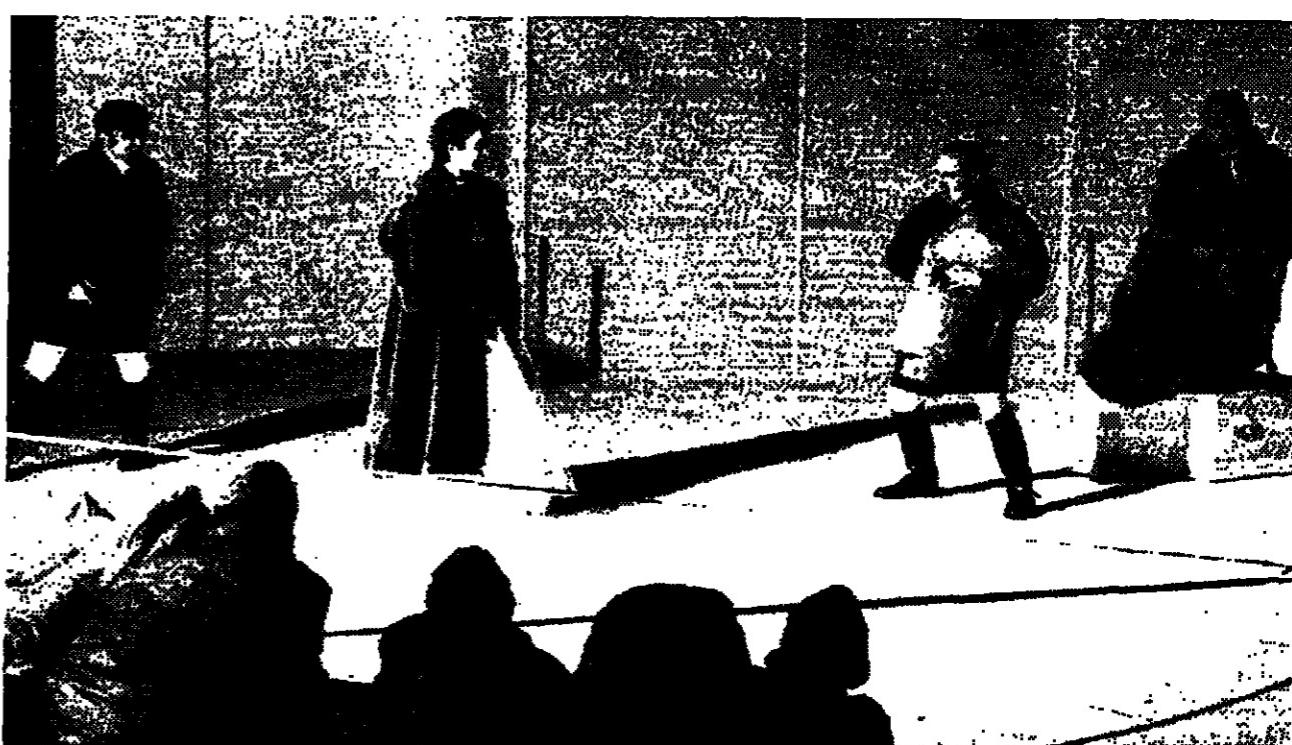
### BOOKS/ARTS

**B**IG OPERATIC excitements are being unleashed in Birmingham. In five packed years of existence the City of Birmingham Touring Opera has established a sharp-profiled artistic identity with its chamber-operatic versions of *Bohème*, *Flute*, *Faust* and a two-part *Ring*-cycle abridgement, all by the company's artistic director, Graham Vick. Now the company's credo is being tested to the limit with a Rameau opera - *Les Boréades* (1764), last in his series of *tragédies-lyriques*, re-named *Beyond the North Winds* in Amanda Holden's new translation.

The adventurousness of the undertaking needs to be underlined: this is no boiled-down CBTO *Boréades* production but a full-strength affair, with a 21-person period-instrument orchestra, a chorus of 15 and a dance-troupe of 12. What is more, it proves to be - shaming fact - the first full-length Rameau opera production by any professional British opera company. Up to now this composer has been given solely in concert performance, in the pioneering "historical" revivals of the English Bach Festival, and in student stagings.

The small Birmingham company ventures lightfootedly where Covent Garden, with its opera and ballet companies on call, has so far feared to tread. There is, of course, a reason for such reluctance on the part of the big companies: the demands of the *tragédie-lyrique* form for highly organised, intricately interlaced patterns of song, dance and visual spectacle.

Rameau stage-works do not play themselves. Part of the boldness of this new production comes, as it were, with the CBTO territory: a company whose policy is to perform in out-of-the-way venues to audiences of multitudinous makeup and find a way of re-creating *Les Boréades* in terms of widely appealing modern stagecraft. Vick and his production associates (designer Paul Brown, choreographer Ron Howell) have managed this with enormous imaginative daring and zest. The choice of Birmingham performing space is itself an element in the risk-taking - the Mayfair Suite, an unused, decaying reception hall in the city's central shopping mall,



First professional production of Rameau's masterpiece; Peter Snipp, Anne Dawson, Alasdair Elliott and Jonathan Best in Graham Vick's staging

## Beyond the North Winds

forms a wonderfully louche, provocative backdrop to these fantasized high-caste rituals of the courtly French lyric theatre.

The tale of the re-discovery of the last Rameau opera has been told on this page more than once. This latest episode in that tale is designed to demonstrate in a new way what an astonishing piece of music-theatre it is.

In *Les Boréades* Rameau welded the minutiae of the *tragédie-lyrique* format into longer spans of "cumulative" music-drama than he had created before, cutting across formal convention and dazzling the ear with melodic inventions and instrumental combinations which further that dramatic condensation process. The libretto (probably by Cahusac) offered him choice opportunities for confronting opposed worlds of Greek mythology, decadent Bacrian aristocrats versus noble followers of Apollo, and for posing an heroic rescue quest as the cen-

tral burden - at times the hieratic rites of Mozart's *Flute* and the Romantic dramaturgy of Weber and Wagner seem only a step away.

A square white platform, framed at the back with sliding panels and a raised area for the orchestra, with a revolve at its centre, forms here the foundation of Vick's re-invented

Max Loppert hails Birmingham Touring Opera's new production of Rameau's *'Les Boréades'*

Ramellian music-drama. Tuxedos and ball-gowns out of 1950s movie musicals clothe the Bacarians, saffron scarves and linen baggies the Apollonians. The "marvellous machines" of 18th-century theatrical practice are supplied by sleight of hand and skillful (even if on Wednesday prey to computer-board dysfunction) lighting.

In sum this is pocket specta-

cle; in these spaces the instrumental sound was too often dulled and out of tune. The math shortage, I would suggest, of vocal virtuosity: the CBTO cast are all capable young singers, practised in a wide range of operatic styles, but note-for-note precision of placing is short supply, and verbal clarity is even scarcer - only Jonathan Best (Adamas and Boreas) and Peter Jeffes (Apollo) make anything at all of the Holden translation.

All this said, the whole achievement is exhilarating. Debussy, a Rameau *appassionato*, ended an appreciation of a 1903 *Castor et Pollux* revival with an apology for doing so at such length - but "moments of real joy in life are rare". Since this *Boréades* provides an abundance of those moments, I now echo the Debussy apology.

CBTO at the Mayfair Suite, Birmingham this Saturday; then on tour to Salisbury, Coventry, Nottingham and the Brighton Festival

There was not universal approval, but winning this year's RIBA architecture award was a vindication and there is a new appeal for £7.8m to update the main galleries.

There is plenty of ritual at the RA, not least with the selection of the Summer Exhibition which has just begun. De Grey saved the Summer Exhibition, which by 1977 had become a financial liability, by pushing through commission, 15 per cent at first and now up to 30 per cent, which provided essential income.

But some RAs want the Summer Exhibition abandoned and replaced by an RAs' show because they are worried about their work getting lost among the 1,200 other works submitted: de Grey suggested having one alongside the Summer Show, a notion which threatened to become divisive and was dropped. Now Allen Jones has raised it again.

That they can rationally discuss setting aside for the good of the art an institution enjoyed by upwards of 120,000 people each year, even temporarily, is owed to the white knight chairing the round table. "Roger de Grey is simply the best president this century" said Tom Phillips.

Purnell said the City "is reluctant to agree to a formula of deficit; it wants it to come with a clean sheet." BRB's independence is thus likely to involve more corporate sponsorship unless it falls back on an endless diet of theatre-filling Tchaikovsky ballets.

Paul Cheeswright

## The RA's white knight steps down

restored the reputation of the other, the Academy Schools.

De Grey looks anything but the sinister eminence grise his name conjures: a slight figure clad in jacket, slacks, button-down shirt and knitted silk tie in colours reminiscent of the gentle French Cézanneque landscapes he paints. He is a doughty combatant for his students, and will continue as principal of the City and Guilds art school.

The history of the Academy is full of schisms, rows and cabals. Constable and Gainsborough both withdrew from the Summer Exhibition; Spencer, Sickert and John all resigned; and in 1950 Caro refused to join. The biggest presidential row was in 1949, caused by Alfred Munnings's refusal to accept that Picasso, Matiss and Moore were worth consideration.

Tom Monnington's ten-year presidency which ended in 1976 began the rehabilitation which was continued by the

ebullient Hugh Casson. But Casson was an architect, and it needed a painter to bring the painters across. For 20 years de Grey had taught at the Royal College of Art, and was part of the RCA underground in the 1950s and '60s

Simon Tait talks to Roger de Grey,

75 this week

which wanted to reform the Academy. Treasurer throughout Casson's presidency, there was no surprise when he was elected on Casson's retirement. Still, he did not really want to be president. "I'd never had a job where I had to be a public figure, and this was a job in which you had to be one. If you couldn't become one you'd fail. I said 'I'm not a speaker, I'll just say what I think', and I did. Sometimes it works."

The rarely used Diploma Galleries were the obvious place to start and he launched the academy into a massive £10 million scheme to join the two separate buildings together, nullify the Victorian incursions and introduce modern atmospheric controls, display space and access in architect Norman Foster's prize-winning design. De Grey got sponsorship after chaffing to the millionaire Arthur Sackler on a bus between New York and Philadelphia.

Dancing to independence

in rivalry with the Royal Ballet in London. There is too much joint experience and joint reliance on the Royal Ballet School for the next generations of dancers, not to speak of a joint collective memory held in past productions, for a simple cut to the umbilical cord.

Wright held out the possibility of a new Royal Ballet School in Birmingham, but made it clear that it must be associated with the existing school in Richmond.

The formula for autonomy then is likely to involve the use of the Royal Opera House as a services centre, with BRB buying what it needs - a system roughly akin to independent rail companies paying British Rail to use established

£880,000 and Wright warned that "funding from the Arts Council may be going downwards rather than upwards."

Reduced grants and the absence of a parent would put BRB in a financial trough.

BRB's administrator Derek

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